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NEWS SUMMARY

GENERAL

Summit to call for new U.S. links

EEC heads of government will call for a new transatlantic dialogue, at their summit which opens in Brussels today.

They are likely to underline their growing fears for the future of political and commercial relations with the U.S. and call for a "forum" possibly based on top-level political contacts between the EEC and U.S. Back Page

In Washington, it was stressed the nomination of George Shultz to replace Alexander Haig as Secretary of State would have no change on the overall direction of U.S. foreign policy. Back Page, Page 2

Kennedy ahead

Senator Edward Kennedy received a tumultuous reception at the Democratic Party convention in Philadelphia, leaving no doubt he is the party's leading contender for the presidency in 1984. Page 2

Gulf war flares

Fighting between Iraq and Iran flared, with the Iranian oil refinery town of Abadan coming under fire, according to Tehran radio.

Soldiers riot

About 300 Indian soldiers rioted in a suburb of New Delhi. They looted a store, set fire to vehicles and attacked police.

Shuttle on time

The U.S. space shuttle Columbia, on its fourth flight, made its first lift-off on time, carrying a military cargo on a seven-day mission.

Nuclear protest

Demonstrators clashed with nearly 1,000 police in Vireux, France, in a protest against the construction of a nuclear power station.

Spanish blast

A boy, 10, was badly injured in San Sebastian, when a knapsack he kicked exploded. The bag was outside an electric company office, often a target for Basque separatists.

Health pay plea

The TUC asked chairmen of all health authorities to use their influence to persuade the Government to improve its pay offers to Health Service workers. Page 8

Gas threat

Villagers in Renishaw, Derbyshire, were told to stay indoors after buried chemicals at a nearby plant exploded and sent a gas cloud towards their homes.

Student jailed

Student Ku Bing was jailed for eight years in China for praising Adolf Hitler and "advocating the establishment of a Gestapo-style organisation."

End of the line

The last hand-cranked telephone system in the U.S., at Bryant Pond, Maine, is to be replaced after 104 years.

Test score

India 379 for 8; England 425, at Old Trafford.

Briefly

Explosion in Grootvlei gold mine, near Johannesburg, killed two miners.

An Elegant tern, a native of California and Mexico, was sighted in Northern Ireland.

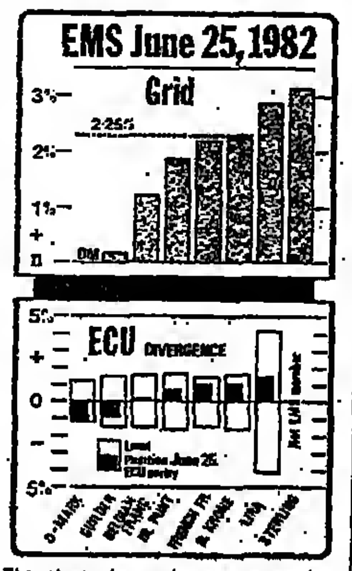
Winds reaching 90 mph killed at least 30 people in Brazil's Parana state.

BUSINESS

Lucas offers 5% pay rise

● LUCAS INDUSTRIES has opened the motor industry pay round with an offer of about 5 per cent for manual workers. Back Page

● FRENCH interest rates eased last week as the French franc held steady in the top half of the European Monetary System. The Italian lira was also firm, supported by high Eurolira interest rates, finishing as the strongest currency in the EMS. The recent devaluations of the lira and franc appear to have taken pressure off the system. Most interest remains centred on the strength of the dollar, which rose to record peaks against the French franc and lira, and was at a 10-month high in terms of the D-Mark.



The chart shows the two constraints on European Monetary System exchange rates. The upper grid based on the weakest currency in the system defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from the "central rate" against the European Currency Unit (ECU) itself a basket of European currencies.

● VENEZUELA'S decision three weeks ago not to raise a Eurocredit proved ill-timed because it would have cost less than was thought. Page 15

● U.S. TREASURY plans to sell $4bn (£2.32bn) of new four-year notes tomorrow and $4bn of seven-year notes on Thursday. Page 16

● SAXON TATE, a vice chairman of Tate & Lyle, is to be named chief executive of the Northern Ireland Industrial Development Board. Back Page

● SEBASTIAN de Ferranti and Fred Bonner have been appointed non-executive directors of British Airways Helicopters. Page 4

● CEGB is accused of being "misleading and systematically optimistic about the economics of nuclear power" in a report from the Electricity Consumers' Council. Page 4

● BRITISH GAS could face tough bargaining over access to Sleipner, a large new North Sea gas field. Page 5

● ISLE OF MAN bank Savings and Investment has had its licence revoked. Page 5

● CUT-PRICE CARS from the Republic of Ireland continued to flood into Northern Ireland in May, taking 24 per cent of the market. Page 6

● FT INDEX of grocery prices fell in June for the first time in 10 months. Page 6

● KNIGHT COMPUTER International is placing 2.45m shares at 60p each prior to joining the USM on Friday. Page 14

● ROWE EVANS Investments will bid £6.26m for two plantation groups to acquire a Stock Exchange listing. Page 14

CONTENTS

NUR conference to vote today on BR and Tube strikes

BY PHILIP BASSETT, JOHN LLOYD AND ELINOR GOODMAN

LEADERS of the National Union of Railwaymen will today ask the union's annual meeting whether it wants to continue the British Rail and London Underground strikes.

The Cabinet's special contingency committee begins meeting basis from today.

Mr David Howell, the Transport Secretary said yesterday that "war had been declared" by the unions.

Sir Peter Parker, BR chairman, believes the strike could last up to three months. Downing Street has made it clear it is ready to back BR's stand as long as necessary.

The Cabinet's special contingency committee, headed by Mr William Whitelaw, begins meeting daily from today.

Some London busmen yesterday began strike action in advance of a strike call from July 5—though print union officials rejected a union instruction to block distribution of national newspapers by road.

BR services began to be progressively run down from 2 pm yesterday afternoon, and are expected to be virtually at a standstill today.

BR officials publicly still hope that many NUR members will take advantage of BR's revokal of the industry's closed shop arrangements and will turn up for work But in private many acknowledge that rank and file loyalty to the union could well be very strong.

Picketing may be rigorously enforced, especially in areas such as Derby, which has already made clear that it intends to defy the strike call.

Pickets will pay particular attention to the string of about 15 key signal boxes up and down the country which control the movement of trains.

Both BR and the NUR are gambling that their strategies of the strike—a grassroots revolt against it, and the loyalty to the union, respectively—will pay off.

As delegates assembled yesterday, Mr Weighell said that he would try to delay a decision until after about noon to allow time for any last-minute initiatives to be relayed to him.

There appeared last night to be two main avenues of possible compromise over the strike.

The first follows the intervention of the Advisory, Conciliation and Arbitration Service just before the weekend.

It would involve establishment of an independent inquiry or arbitration. Both BR and the NUR are understood to be keen that Lord McCarthy should chair it. Acceptance of this proposal might allow the strike to be deferred quickly by the conference.

The investigation would examine the feasibility of the compromise proposal put by BR last week on the two key productivity issues: more flexible rostering, and operating passenger trains without guards.

Also in the inquiry's remit might be whether to bring forward the 5 per cent pay offer from September to April. The inquiry might also examine the structure of the industry's negotiating machinery.

NUR leaders are thought to be happy with such an outline proposal but some members of the BR Board are understood to be less so. However, senior Acas officials do not see much scope in such an inquiry, and Mr Weighell may well be disappointed if he is waiting from firm proposals from Acas today.

The second proposal involves establishment by the NUR conference of a negotiating committee, which would enter into immediate talks with the board. Of the two proposals, this seems the more likely, though it would probably mean the strike still being in force for the two-week period of the conference.

The executive stands down while a conference is assembled, but its final act last week was to issue the conference with a set of recommendations on how far it should go.

These included no acceptance of productivity strings and pressing for the settlement date to be brought forward to April. The 26-strong executive last Thursday ruled out a deferment of the strike until July 30, with only four votes in favour of the suggestion.

The response of NUR delegates to today's strike vote was unclear last night. Some said they would definitely vote for such a motion, and some added that they would propose it if necessary.

However, while acknowledging the reluctance of their members to take such serious industrial action, many delegates felt that the strike call should be supported.

National newspapers are likely to be delivered normally, following a decision by the Central London branch of the Society of Graphical and Allied Trades to ignore the decision of the Sogat executive not to divert papers carried by rail to road transport.

Leaders of London's bus workers meet today in the Transport and General Workers' London bus section committee to decide whether to endorse the call for an all-out strike of LT workers from July 5 made last Friday by the London Transport trade uniondefence committee.

The committee's decision—which is expected to endorse the call—will then be put to a conference of delegates from bus garages later in the week. Already, at least six garages have voted for a strike from today.

Where to park in London

EMERGENCY car parks in the London area will open today at Hyde Park, Regent's Park, St James's Park, Battersea Park and Victoria Park. Normal parking restrictions will be suspended in side streets but maintained on bus routes.

Two special car parks for Wimbledon tennis spectators will be available in Wimbledon stadium and at the local football ground, with a bus service to the tennis club. The lifting of side street parking restrictions will not apply in Wimbledon.

BR may still run limited services

BRITISH RAIL (BR) still hopes to be able to run a very limited service on certain branch lines today if sufficient key National Union of Railwaymen (NUR) staff report for work.

Members of the Associated Society of Locomotive Engineers and Firemen (Aslef) and the Transport Salaried Staffs Association (TSSA) are expected to report for duty as normal. But the chances of being able to run any sort of service will depend on NUR members, such as signalmen, deciding to work.

BR is unlikely to be able to run any sort of Inter-City services, or commuter services in the South East. But there is a possibility that services on some branch lines will go ahead. Members of the NUR Derby branch, for instance, who have said they will reject the strike call, are expecting to run some services.

BR executives will meet later this week to decide whether they can continue paying staff who report for work.

Sir Peter Parker, BR chairman, told employees in a letter last week that they would be paid for the first week. If, however, the Government decides to cut off the Public Service Obligation, which is the grant paid to BR, it could have no alternative to borrowing in order to pay wages.

The Aslef dispute earlier this year is estimated to have cost BR £80m which, combined with the effects of the recession, has pushed up the forecast loss for 1982 to £160m. The NUR strike will put rail finances under even greater pressure.

The Government, which has given every indication that it intends to back the BR board, has warned that BR will have to manage within the present financial limits. This could lead to cutbacks in services following the strike; while the freight division of BR, which has been on a recovery tack, could lose some business permanently.

Following the Aslef dispute, BR had to buy back passengers with cheap promotion fares. These have been successful, but pre-dispute levels of revenue have not been recovered.

The effect of the stoppage on most industries will be

Continued on Back Page

CBI gloomy on state of British manufacturing

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

THE gloomiest report on the state of manufacturing industry to be produced by the Confederation of British Industry since the Budget is being published this morning.

It warns that order books for both home and export business no longer appear to be strengthening in many companies and says that demand is specifically weak in metal manufacturing industries.

Order books

The report will be used this week by CBI leaders to reinforce recommendations they are to issue to their members that companies should reduce the size of pay increases during the coming year.

The slowness of the British economy to climb out of the recession is also reflected in the latest forecast from the London Business School out today. The school has lowered its prediction for growth this year for the fourth time running. It is now expecting output to grow by only 1 per cent compared with a prediction of 2.8 per cent made last June and a March projection of 1.5 per cent.

Business school

The business school, whose forecast is now closely in line with the CBI's, is pessimistic about the extent to which extra demand in the UK will suck in more imports.

The school still believes, however, that recovery will get under way in the second half of the year, with growth of 2.8 per cent in 1983. It has also become rather more optimistic than it was about prospects for inflation, which it thinks will be at an annual rate of 7.9 per cent by autumn and 7.6 per cent by the end of 1983.

Pay increases

The fading prospects of an early upturn will be underlined by the CBI's leaders and economists this week when they start their annual series of conferences on the coming pay round.

The conferences are aimed at building a common front among employers against inflationary pay claims. But they stop short of recommending any formal policy.

With pay settlements now averaging just under 7 per cent, according to CBI figures, companies will be advised to trim increases as much as possible during the coming year.

Although no precise target figures or norms will be mentioned, the CBI is probably hoping for rises of around 3 to 5 per cent and will say that companies which can afford nothing should try not to pay any increases that are not matched by productivity improvements.

The gloomy CBI report is based on its monthly industrial trends survey. It contrasts sharply with the extremely cautious but noticeable optimism evident after the Budget when companies believed they had reached the bottom of the recession.

The decline in the level of pay settlements during the past year has helped boost company profit margins. Nevertheless, this morning's survey shows that the number of companies expecting to raise average domestic prices in the coming four months is continuing to decline.

The order book problem is illustrated by a balance of 50 per cent of the respondents saying their order books are below below normal rather than above normal, compared with only 42 per cent in March.

> ❛ The CBI . . . will say that companies which can afford nothing should try not to pay any increases that are not matched by productivity improvements.❜

Output results have also worsened and there bad been no increase in the number of companies saying their stock position is improving.

Only 16 per cent of the 1,700 respondents expect the volume of output to rise in the next four months while 63 per cent expect no change and 20 per cent forecast a decline.

The CBI may consider reducing its current forecast below 1 per cent growth if the monthly surveys do not produce more optimistic results later this summer. The Treasury's last forecast — at the time of the Budget — was 1.5 per cent.

£ in New York

—	June 25	Previous
Spot	$1.7225-7250	$1.7380-7395
1 month	0.44-0.48 pm	0.41-0.43 pm
3 months	1.56-1.61 pm	1.46-1.51pm
12 months	5.25-5.40 pm	4.85-5.05 pm

Israel urges Lebanese to leave W. Beirut while ceasefire lasts

BY DAVID LENNON IN TEL AVIV AND JAMES BUCHAN IN BEIRUT

ISRAELI aircraft dropped leaflets over West Beirut yesterday to urge Lebanese civilians to save their lives by leaving the city while the two-day ceasefire between Israeli forces and Palestinian guerrillas still held. Tension in the city rose sharply in the absence of any clear hope of a political solution.

In Israel there was a growing feeling that the Government was likely to order soon an invasion of West Beirut. Despite the latest ceasefire between its forces and those of Syria and the Palestinians, Israel was continuing to build up its strength around Beirut.

The cabinet in Israel was shaken by the sudden resignation of Mr Alexander Haig as the U.S. Secretary of State. Some ministers urged speedy action over West Beirut before any shift in U.S. policy on the Middle East.

The leaflets said Israel was continuing its war against the "terrorists" and had "not used its full force yet." In Jerusalem the cabinet made public its conditions for ending the two-week seige of Beirut, where several thousand Palestinian guerrillas are trapped. It said the Palestinians should hand over their weapons to the Lebanese army and accept safe-conduct to Syria through the International Red Cross.

The Palestinian Liberation Organisation (PLO) has already rejected the Israeli proposals and similar ones put forward by the U.S. Mr Khalil Wazir, the PLO military commander, said yesterday that the Palestinians were ready for an honourable solution, but not "the humiliating solution the Americans, the Israelis and some Lebanese factions want."

In Israel, the government faces increasing criticism over the war in Lebanon. Gen Mordechai Gur, a former Chief of Staff, yesterday declared that the past two weeks of fighting had been pointless and that Israeli soldiers had died needlessly.

The resignation of Mr Haig is seen in Israel as a big blow because of his open support for the invasion. It was his encouragement which led the

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Owen victory likely to provoke power struggle within Alliance

BY OUR POLITICAL CORRESPONDENT

THE SPD/Liberal Alliance could face a prolonged power struggle if Dr David Owen wins the SDP leadership election on Friday.

Dr Owen made it clear at the weekend that, while he might be prepared to see Mr David Steel, the Liberal leader, nominated as the Alliance's Prime Minister-designate for the three weeks of an election campaign, he would not be prepared to come to such an agreement well in advance of a general election.

An Owen victory could face the Alliance with 18 months of what one senior Liberal described yesterday as "a prolonged beauty test" between Dr Owen and Mr Steel with the two leaders jockeying for power and popularity.

Mr Steel said well before the SDP leadership contest began that if Mr Jenkins became leader of the party he would be prepared to stand aside for him to lead the Alliance.

Mr Jenkins would probably be nominated as Alliance leader fairly soon in the event of winning the SDP contest.

Mr Steel would not, however, be ready to make way gracefully for Dr Owen, who is very much nearer his own age and much of a rival.

The Liberal leader has agreed not to make any public statements on the SDP leadership contest because it might be seen as interfering in another party's internal affairs.

Yesterday, however, after publication of an NOP poll in the Observer showing Dr Owen very much more popular among the electorate, some senior Liberals were becoming increasingly concerned at the prospect of Dr Owen winning.

It has become clear over the last week that the nature of the Alliance was the central issue of the campaign.

The differences between the two candidates were highlighted in a speech from Dr Owen at the weekend. He repeated his view that, while the SDP and Liberals should work closely together, it was essential they retained their separate indenties to the extent of putting up candidates against each other once proportional representation has been achieved.

Dr Owen also took issue with Mr Jenkins' claim last week that the electorate would not vote for the Alliance unless it knew well in advance who would become the Prime Minister in the event of an Alliance victory.

He said it was perfectly reasonable to leave open the issue of who would be the Prime Minister until after the election.

But Dr Owen said that if there was natural agreement between the two parties on who should be Prime Minister-designate, "it could be helpful for that person to be in position for the duration of the election campaign."

He would, he said, "be perfectly content, if it became clear that the best person was David Steel, to serve under him, and I believe in the spirit of our Alliance he would be prepared to do likewise."

Dr Owen's readiness to serve under Mr Steel may go some way in repairing his relations with the Liberals, but his definition of the Alliance will not please Mr Steel, who like Mr Jenkins, favours a much closer relationship.

Yugoslav plans on economy backed

By David Buchan and Aleksandar Lebl in Belgrade

THE RANK and file of Yugoslavia's ruling Communist Party has given its backing to the Government's economic stabilisation programme, which with the support of the International Monetary Fund is aimed at cutting inflation, making exports more competitive and meeting all debt obligations.

The country's economic crisis dominated the 12th party congress. Many of the 1,547 delegates strongly criticised past policies which fuelled an inflation role of 40 per cent last year and amassed a gross hard currency debt of $19.3bn by December 1981. Such criticism is implicitly directed at the country's previous leadership.

The congress lasts until tomorrow. But so far no one has protested the biting import cuts this year or has suggested that an easier way out for Yugoslavia would be to ask Western banks for a rescheduling or postponement of repayment of its debts. In the first five months of this year $1.7bn was repaid in principal and interest, on medium and long term loans, but a further $3.1bn falls due between June and December. In this month alone Yugoslavia is due to repay nearly $1bn.

While accepting the hardship imposed by the IMF-backed austerity programme, industrial workers who make up one of the biggest blocks of delegates at this conference made clear that they wanted equal sacrifices from the service sector and from the budgets of the federal, republican and local governments.

Delegates were warned that austerity will last a long time. Mr Kiro Gligorov, a central committee member and key author of the stabilisation programme, said it would last at least until the next party congress in four years' time, and maybe longer. In the longer run, the programme aims at changing the economy's structure and achieving external convertibility of the dinar.

A draft resolution, to be voted on tomorrow, speaks of the need for market forces to be given greater play in the economy and

Polish budget plan approved

By Christopher Bobinski in Warsaw

THE POLISH Parliament's budget committee has finally accepted the Government's revised budget proposals which include a cut of Zl 15bn (£98.3m) in this year's planned budget deficit.

Last week, the budget committee sent the budget proposals back to the finance ministry for changes which would incorporate deputies' suggestions, the first time this has happened since the war. On Friday it accepted the revised plan.

The deputies have urged that the subsidies to industry which Mr Marian Krzak, Finance Minister, had planned be cut by Zl 38bn and that payments to the food sector be increased by Zl 18bn.

Paul Betts in New York profiles President Reagan's new Secretary of State — a polished diplomatic and political performer

Shultz: an old Washington hand returns

George Shultz: served under Nixon

MR GEORGE SHULTZ, the new U.S. Secretary of State, was in Europe on business for his company, Bechtel, the giant construction and engineering group, when President Reagan unexpectedly announced Mr Alexander Haig's resignation.

Despite the shock Mr Haig's resignation caused, Mr Shultz's appointment is not altogether surprising. He has long been one of President Reagan's most trusted and respected advisers, especially on economic matters. Indeed, Mr Shultz played a key role in helping Mr Reagan forge an economic policy during the election campaign and the subsequent period between the November 1980 landslide victory and Mr Reagan's inauguration a few months later.

Shortly after the election, Mr Shultz's name was considered a likely candidate for high office, including among other cabinet posts, the Secretary of State.

Mr Shultz, however, stayed on at Bechtel as number two behind Mr Steve Bechtel Jr, the head of the Bechtel dynasty of San Francisco.

Mr Shultz, before taking up his job with Bechtel, had a glittering political career in Washington. But as late as last September, he was insisting that he was "enjoying" being an entrepreneur, seeing the problems and workings of business from the inside.

At Bechtel, Mr Shultz has not been confined to the problems of building energy plants. He lives on the Stanford University campus, not far from Bechtel's San Francisco headquarters, where he is a professor in the Stanford Business School.

He is remarkably soft-spoken and gives an overwhelming impression of calm. He seems as if he never loses his temper. As a result of his long political career, he has won widespread regard, in the U.S. and abroad.

Mr Shultz is a conservative both in economics and politics. His reputation for being a polished diplomatic and political performer was earned during his five years of government service during the Nixon Administration.

He was first appointed by Mr Nixon as Secretary of Labour in 1969, rose to become Director of the Office of Management and Budget in 1970, and then became Secretary of the Treasury in 1972.

He left the Nixon cabinet in the middle of 1974. After disagreeing with Mr Nixon's decision to introduce price and wage controls in the middle of 1973, Mr Schultz decided to resign. But Nixon succeeded in persuading him to delay his departure for about 12 months.

At one time Mr Shultz was extremely close to President Nixon.

When Mr Shultz left government, Mr Steve Bechtel lured him to join the Bechtel group. Although working for Bechtel, Mr Shultz did not disappear from the public eye. While he did not join the Reagan Cabinet—some say he was approached but turned the President's advances down — although he claims he was never offered any cabinet job—he has served until now as chairman of the President's economic advisory board.

According to some insiders, Mr Shultz declined to take part in Mr Reagan's first cabinet because it already included Mr Caspar Weinberger, the Secretary of Defence and another old Bechtel hand. Mr. Weinberger was the company's general counsel.

There will obviously be a strong temptation now to regard President Reagan's cabinet as even more solid bastion of Californian republican politics.

Because of its association with key Reagan advisers, Bechtel has sought to make it clear that this does not mean it has a back-door connection with the White House.

Mr Steve Bechtel Jr, shortly after President Reagan's landslide victory, issued a memorandum to his company's senior officers. It read: "We must not, under any circumstances, seek, or appear to seek, any special advantage or favour because of personal relationships which we have with persons in or close to the Government or to try in any way to trade on those relationships."

Mr Shultz is likely to be a welcome appointment both in the U.S. and abroad. If he has one problem it is that at times he appears a little too cool. But his colleagues and subordinates at Bechtel as well as his students at Stanford appear to have warmed to him.

A former colleague remarked that Mr Shultz is the sort of person that grows on you once you get to know him.

Bonn shocked by Haig resignation

BY OUR FOREIGN STAFF

THE RESIGNATION of Mr Alexander Haig as U.S. Secretary of State, prompted at least in part by the pipeline equipment embargo which has dismayed West German leaders, has come as a shock to Bonn.

But West German leaders, particularly Chancellor Helmut Schmidt, have been comforted by the choice of Mr George Shultz as successor. One senior Foreign Ministry official said Mr Shultz is Herr Schmidt's "best friend" in the California Republican group.

The Chancellor sent a personal message to Mr Haig saying he was saddened by the former secretary of state's resignation.

"Your unique experience as military leader and creative statesman, your firm belief in our common cause have been invaluable for the alliance," Herr Schmidt said in his telegram.

It was known in Bonn that Mr Haig was more sympathetic than other members of President Reagan's Administration to Europe's point of view favouring the construction of a natural gas pipeline from the Soviet Union to Western Europe.

Mr Haig reportedly disagreed with President Reagan's decision to tighten sanctions against the pipeline's construction, a decision sharply criticised by Herr Schmidt.

In Paris, the French Government, in spite of worries that the resignation of Mr Haig may lead to a deterioration in U.S.-European relations, hopes Mr Shultz may prove to be as sympathetic an ally as his predecessor.

M Claude Cheysson, the French Foreign Minister, said he was "very surprised" by Mr Haig's decision.

Officials said the two men had established close ties and "largely convergent" views on European affairs—a reference to Mr Haig's moderate policy towards the Soviet Union.

It was pointed out, however, that Mr Shultz also knows Europe well, and is not regarded as a hard-liner on East-West relations.

The French Government is clearly hoping Mr Shultz's known determination and personal friendship with President Reagan will allow him to act independently, and adopt similar policies on Europe and the Soviet Union to those followed by Mr Haig.

Few regrets in Moscow

BY ANTHONY ROBINSON IN MOSCOW

MOSCOW has expressed few regrets at the departure of Mr Haig. A commentary by Pravda's Washington correspondent yesterday described him as a man full of confusion and contradictions who had contributed to the wider loss of confidence in the Reagan Administration at home and abroad.

In effect Mr Haig had been chosen as a scapegoat for the mistakes of the Reagan Administration, the report said. This had led to a widening gap between the U.S. and Western Europe, and new divisions between the U.S. and Latin America because of Mr Haig's support for Britain in its "military adventure in the south Atlantic."

Pravda also blamed Mr Haig for supporting what it called the "genocidal policies being followed by Israel in the Lebanon," and said he was also largely to blame for the 16-month delay before the U.S. Administration agreed to begin strategic arms reduction talks with the Soviet Union. These talks start in Geneva on Tuesday.

Pravda made no comment on the appointment of Mr George Shultz to succeed Mr Haig, but a Tass commentary on the Middle East situation yesterday pointed to the U.S. veto of the UN Security Council resolution calling for Israeli withdrawal from the Lebanon as a clear sign that the world should not expect any basic changes in U.S. policy.

"Alexander Haig's resignation evoked in Arab conservative circles dangerous illusions and hopes for positive changes and a 'more balanced approach' in U.S. Middle East policy."

The U.S. actions "show convincingly once again that the unconditional support of the U.S. strategic ally, Israel, has been and remains the corner stone of the U.S. political course in the Middle East," Tass concluded.

Dismay likely in Peking

By Tony Walker in Peking

THE departure of Mr Alexander Haig from the Reagan Administration will not be welcomed in Peking, and may even be viewed with dismay.

China regarded the former Secretary of State as its "best friend" in the U.S. government—at least those were the words used by a senior Foreign Ministry official on the eve of Mr Haig's visit to Peking last year.

Mr Haig was a forceful advocate within the Administration of the need to maintain a good relationship with China. He was convinced of the strategic importance of that relationship.

While senior Republicans, notably President Reagan, were making contradictory statements about U.S. relations with Taiwan in the early days of the Administration, Mr Haig was doing his best to keep things on an even keel.

In recent weeks, it appeared that he was winning his argument that the U.S. relationship with China must be preserved, and that a way must be found out of the apparent diplomatic impasse caused by the row over continued U.S. arms sales to Taiwan.

It was Mr Haig who first made encouraging remarks about China's proposals, put forward last September, for the peaceful reunification of Taiwan and the mainland. It was also Mr Haig who pushed for the drafting of a form of words that would resolve differences on the Taiwan question—what is being dubbed as a "Shanghai Communique Mark II."

Mr Haig's association with China dates back to the visit he made to Peking to prepare the way for President Nixon's trip to initial the original Shanghai Communique in February 1972.

The Chinese will no doubt see Mr George Shultz in the more traditional Republican mould. They will hope he will adopt Mr Haig's approach to the problems of China and Taiwan.

Pretoria 'regret'

Mr "Pik" Botha, South Africa's Foreign Affairs Minister, said he learned of Mr Haig's resignation with "great regret and disappointment," but expressed the hope that his successor would continue a policy of "constructive relations" with South Africa.

In Turkey Premier Bulend Ulusu also expressed regret over Mr Haig's resignation.

Arabs see U.S. Mideast policy as key factor behind change

BY JIM MUIR IN NICOSIA

DESPITE THE many alternative theories circulating in Washington, many Arab observers firmly believe that Mr Alexander Haig's resignation as Secretary of State stemmed directly from the crisis in Lebanon, and that his replacement by Mr George Shultz will mark a turning-point in the region's affairs — though a difficult and possibly dangerous interim period may lie ahead in the immediate future.

This view was summed up in the reaction of a Palestine Liberation Organisation (PLO) spokesman in Beirut, who commented: "This means we have won the war, though we may have a hard battle or two ahead of us still. (Israeli Defence Minister) Sharon will try to do his dirty business before the Americans get tough with him, but he will fall just as surely as that other general with leadership ambitions just fell in Washington."

This interpretation is by no means incompatible with reports of increasing strain between Mr Haig and other top U.S. officials, notably the President's national security adviser, Mr William Clark, and Mr Caspar Weinberger, the Defence Secretary. It is based on analysis of U.S. reaction to the Israeli invasion and on evidence accumulating on the ground in Lebanon.

From the early hours of the Israeli invasion, Arab analysts became increasingly confused about U.S. policy on the affair. Previous Israeli actions — the raid on the Iraqi reactor, the bombing of Beirut last July, and the effective annexation of the Golan — had all prompted at least some level of "punishment" from Washington. U.S. officials had indicated that Washington was exerting considerable pressure on Israel not to launch an invasion which had been so widely predicted and threatened.

Yet when the moment came, there was little visible reaction from Washington. The closer the Israelis pressed in on Beirut, the louder grew the U.S. silence, despite a string of "ceasefires" arranged by President Reagan's special envoy, Mr Philip Habib.

Political talks started once the Israelis clamped their siege on West Beirut. They involved Mr Habib, the Lebanese Government and political leaders, and (indirectly) the PLO, and the seven-member Lebanese National Salvation Committee was charged with producing a unified Lebanese position.

The committee was reported to have reached agreement at its first meeting on June 20 on a PLO proposal for a disengagement in the Beirut area, with Lebanese Army forces acting as a buffer. The Israelis were to pull back several miles, while the Palestinian guerrillas would retire to the Beirut camps with cast-iron U.S. and other guarantees that they would not be attacked.

Two days later the Israelis unleashed an attack on Syrian positions in the mountains above Beirut, and stepped up bombing and bombardment of the city's southern suburbs.

Announcing his resignation last Friday, Lebanese Prime Minister Shafiq al-Wazzan said: "Every time we approached agreement, we see this military escalation aimed at pressuring us. We cannot work under such blackmail. Do you think I can stand silent while Philip Habib watches our suburbs being bombed, as though we were rats in this country."

There were other signs that the U.S. was demanding surrender of the PLO. Many Arabs share the PLO's view that there was co-ordination with Israel on this, and that Mr Haig was the main figure in this policy.

On Friday, Israel unleashed an unprecedented blitz on Beirut while, according to the PLO and the Lebanese, Mr Haig sent an ultimatum to the PLO demanding immediate surrender to the Lebanese authorities. The PLO refused to capitulate, while the resignation of the (Sunni Moslem) Premier and other ministers removed the political cover necessary for the operation.

Arab and other pressures meanwhile grew on Washington. Saudi Arabia's King Fahd, who has been in constant touch with Mr Yasser Arafat, the PLO leader and Egypt's President Hosni Mubarak made urgent representations. At the same time, Mr Arafat was in touch with Soviet President Brezhnev on Friday.

The fact that a new ceasefire was then announced, and that it is the only one to have stuck so far, is taken by Arab observers as confirmation for their view that Mr Haig's resignation means the U.S. is turning back to a policy which would safeguard its interests in the Arab world.

If this is so, Israeli Premier Menahem Begin and Defence Minister Ariel Sharon face an appalling choice between cutting their losses, and admitting failure, or going into Beirut to try to finish the job despite the consequences.

If they choose the latter course—as implied by their Cabinet statement yesterday—the Arab reading of Mr Haig's resignation will be tested by whether Washington silently condones the attack or cracks the whip and calls the Israelis off.

Mubarak disappointed by veto

BY CHARLES RICHARDS IN CAIRO

PRESIDENT Hosni Mubarak said over the weekend that he was very disappointed that the U.S. had vetoed the French resolution in the Security Council on Lebanon. He said the veto should only have been used if the U.S. could put forward an alternative proposal.

Egypt had earlier expressly asked the U.S. not to exercise its power of veto, which Egyptian officials think will only encourage further Israeli attacks on Beirut.

Mr Mubarak has sent a number of messages to President Reagan asking him to intervene to bring about a ceasefire and the withdrawal of Israeli forces from Lebanon. He has warned that if the current crisis in Lebanon is allowed to continue unchecked the entire region would suffer.

He has also said that the U.S. will lose ground in the Middle East if it allows the Lebanese crisis to continue and that U.S. relations with Egypt and with all Arab countries will suffer.

Without specifically commenting on the resignation of Mr Haig as Secretary of State, Egypt's Minister of State for Foreign Affairs, Dr Boutros Ghali, said that he hoped Mr Shultz would be more positive in dealing with the problems of the Middle East, and above all the Lebanese crisis. He said he hoped he would take a balanced view of what was happening in the region for the sake of U.S. and Arab interests.

Strained though the relationship between Egypt and the U.S. is, Egypt is giving no sign that it is prepared at this stage to sacrifice U.S. support for the Camp David peace process, in which it is a full partner.

Prime Minister Dr. Fuad Mohieddin formally expressed Egypt's disappointment at the U.S. veto to the U.S. Ambassador in Cairo.

Tunis bid to agree on Lebanon

By Our Foreign Staff

ARAB Foreign Ministers continued emergency talks in Tunis yesterday in an effort to reach a minimum level of agreement on the crisis in Lebanon which would allow them to recommend a full scale summit of heads of state.

Eight Foreign Ministers including those from Saudi Arabia and Kuwait, and representatives from all Arab League members except Libya, began their talks shortly before midnight on Saturday.

The Arab states were seriously divided among themselves even before Israel's invasion of Lebanon. There had been major disagreements last autumn over the Middle East peace proposals put forward by the then Crown Prince Fahd of Saudi Arabia and over the Gulf war between Iraq and Iran.

The Palestine Liberation Organisation outlined its proposals for Arab action over the Lebanon crisis at the outset of the Tunis talks. It urged economic sanctions against the U.S. to include a boycott of U.S. products, withdrawal of Arab holdings from financial institutions and their reinvestment in Europe, especially in France, and the recall of all Arab ambassadors from Washington.

The PLO was also said to have requested Arab countries to send troops to Lebanon to assist its guerrillas which are trapped in Beirut by Israeli forces. There was no indication that the PLO had responded to the suggestion from the Lebanese delegation that the guerrillas should be disarmed and agree to end all military activities in Lebanon.

Other delegations indicated that there was little support shown for the Lebanese proposals.

Syria criticised sharply the lack of support it had received from other Arab states in the three weeks since the invasion, and asked that they should at least replace its aircraft which had been shot down over Lebanon. Israel claims to have shot down over 80 Syrian aircraft.

Mr Chedli Klibi, the Arab League Secretary General, strongly condemned the U.S. for vetoing the UN Security Council resolution proposed by France calling for an immediate Israeli withdrawal from Lebanon.

In his opening remarks to the meeting he noted that the UN General Assembly had only hours later approved a similar resolution by 127 votes to two with just Israel and the U.S. voting against.

Kennedy leads race for Democratic nomination

BY ANATOLE KALETSKY IN PHILADELPHIA

SENATOR Edward Kennedy was yesterday left in no doubt that he is the Democratic Party's leading contender for the presidency in 1984 after a tumultuous reception at the party's mid-term conference in Philadelphia.

The response to Senator Kennedy clearly outshone the reception received by five other potential candidates who presented themselves to the party over the weekend. But even before the dust from Senator Kennedy's rousing speech had settled, former vice-president Walter Mondale emerged as the party's second choice.

Challenge

Mr Mondale, who spoke to the conference on Friday gave the best speech of his career and impressed many delegates with an unexpected ability to arouse emotion and command attention.

The four other candidates—Senators Alan Cranston of California, Senator John Glenn of Ohio, Gary Hart of Colorado and Ernest Hollings of South Carolina—are so far behind both Kennedy and Mondale that already, even with two years left before the nominating convention for the presidency in 1984, there are doubts about their chances of mounting an effective challenge.

On the issues the party conference concentrated to a surprising degree on foreign affairs. The nuclear freeze movement was the topic which generated greatest enthusiasm and appeared to command a completely unified response from the delegates.

On economic policy there were ringing denunciations of every aspect of Reaganomics from all speakers but less evidence of a completely united alternative.

All the Presidential candidates emphasised the need for sweeping reforms of the tax system which would preserve tax cuts for the lower paid but would prevent the rich and corporations benefiting from the sort of advantages granted them by President Reagan.

Confident

The Democratic Party, whose morale was badly shaken by their defeat in the 1980 election, left the convention in Philadelphia with great confidence that it would score substantial gains in the Congressional election of November this year.

Party leaders called on the members to put all their efforts into campaigning for democrats in the Senate and House of Representatives in the hope that the party will win a majority in both houses in November and thereby be in a position to block parts of President Reagan's political programme.

Singapore may aid Kampuchean resistance

By Kathryn Davies in Singapore

PRINCE Norodom Sihanouk arrived in Singapore yesterday at the start of a tour of the five countries of Asean (the Association of South-East Asian Nations consisting of Thailand, Malaysia, Indonesia, the Philippines and Singapore) to solicit aid for the anti-Vietnamese Kampuchean resistance.

The Prince, who is president of the newly forced "Coalition Government of Democratic Kampuchea" said his guerrilla fighters needed food and medicine, as well as equipment like mine detectors.

According to Prince Sihanouk, Lee Kuan Yew, Singapore's Prime Minister has already promised him aid of an unspecified nature. Premier Tinsulanonda, Thailand's Prime Minister, is reported as having said his country will be willing to provide assistance to coalition members if Thailand's Asean partners approved.

Prince Sihanouk also announced his appointments to three of the four co-ordinating committees set up under the coalition agreement in Kuala Lumpur last week between himself, the non-Communist Son Sann and Khieu Samphan, the leader of the Khmer Rouge.

The committees include In Tam, a former Kampuchean prime minister who will sit on the defence committee of the new régime.

Morocco passes investment code

BY FRANCIS GHILES

FOREIGN investors will be allowed to hold 100 per cent equity in Moroccan companies and will automatically be able to remit all profits after tax to their home base, according to the new investment code just approved by parliament in Rabat.

The code, which replaces one in force since 1973, also allows foreign investors to repatriate all the initial capital they invest and accrued capital after five years.

In a further move to attract foreign investment, the authorities will grant a number of rebates, of up to 50 per cent in certain cases, on the initial cost of land and basic infrastructure in the industrial zones being set up around Moroccan cities.

Greater help will be provided to those foreign companies seeking to establish a presence away from the country's economic capital, Casablanca.

The Moroccan Government hopes the new code will attract a greater volume of foreign investment than hitherto. The average yearly figure of foreign investment since 1975 has been around $100m.

This policy of seeking to improve the flow of investment from abroad goes hand-in-hand with efforts to diversify the kingdom's trading partners and improve export performance. The balance of trade, which recorded a deficit of Dirham 8bn (£774m) last year, is a source of considerable worry for the authorities.

Foreign companies present in the kingdom have welcomed the new code, but they would also like all decisions concerning foreign investment to be brought a single authority.

EEC fishing pact hopes rise

BY LARRY KLINGER IN BRUSSELS

EUROPEAN Community talks aimed at establishing a Common Fisheries Policy (CFP) resume in Brussels tonight with the majority of the EEC member states closer to a solution than at any time since the often bitter negotiations began nearly six years ago.

Many obstacles remain, however, with most officials expecting the talks to be "tough and difficult." They may last several days.

Still outstanding is the technically complex problem of sharing-out among the main fishing nations the limited stocks in EEC waters, by species and by geographical area.

Several member states, including Britain, are demanding larger quotas than those proposed by the Commission.

Denmark adamantly refuses to accept a suggested 23.4 per cent quota. Britain is being offered 35.5 per cent, by far the largest share.

Denmark's minority coalition government is under strong pressure from its politically powerful fishing industry and anti-EEC public opinion not to give way on its quota demands.

It is also facing the unpleasant prospect of being isolated by its Community partners just as it is about to take over the six-month term as president of the EEC Council of Ministers.

Commission proposals on the other main outstanding issue—that of the rights of access to British coastal water by the other member states—seem to be broadly acceptable, with the UK retaining an exclusive or near-exclusive coastal belt.

After several days of high level technical talks in Brussels, there also emerged at the weekend a general agreement that the negotiations should not collapse into the kind of bitter quarrels which have marked recent years.

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WORLD TRADE NEWS

Shippers to Nigeria receive clearance on exports

BY MARK WEBSTER

A GROUP of shippers to Nigeria will receive foreign exchange clearance for millions of pounds worth of exports thanks to a new ruling by the Nigerian Central Bank.

The bank has issued instructions that 11 ships which have a bill of lading dated on or before May 15 but which left port after that date will be given the necessary clearance for their goods.

The confusion arose over what ships were affected by Nigeria's import restrictions — part of the country's austerity measures which halted all goods despatched after May 15.

The ships — five from Britain, and others from the rest of Europe, the U.S., Japan and Hong Kong — had been assured by the Societe Generale de Surveillance, the Nigerian government's import inspection agent, that a bill of lading dated on or before the deadline would be acceptable to the central bank.

The day before the deadline, SGS issued a clarification saying that the ships had to leave port on or before that date if they were to be given a clean report of findings — an essential document for obtaining foreign exchange clearance from the central bank.

The Nigerian Government made strong representations through the Department of Trade, the Association of Shippers to Africa and the British High Commission in Lagos to clear up the mess.

Some shippers may still be in difficulties, however, if their letters of credit have run out in the meantime.

Polish authorities approve chlorine plant near Warsaw

BY CHRISTOPHER BOBINSKI IN WARSAW

PETROCARBON Developments have received an acceptance certificate from the Polish authorities for a chlorine and caustic plant built under their management at Wloclawek, 80 miles north-west of Warsaw.

The plant, worth £80m, was installed by Catalytic International and is part of the 200,000 tonne a year polyvinyl chloride plant whose construction is being managed by Petrocarbon, a subsidiary of Burmah Oil. It is expected to come on stream in 1983.

Some 90 per cent of the project is finished but the vinyl chloride monomer plant and the main PVC installation is still to be commissioned.

Earlier this year a Polish official at the site, Mr Stanislaw Adamski, had said the authorities were considering pulling out as the Exports Credits Guarantee Department was holding up payment of credits worth up to £12m still due on the project.

According to Mr Peter Houghton, a director at Petrocarbon who has been closely involved with the project since work first started in 1977, the Poles have dropped all mention of pulling out of the contract at this stage.

Japan car share down

JAPANESE carmakers' share of the West German market fell to 8.6 per cent in the first five months of 1982 from 10.2 per cent in the same period of last year, the West German Federal Motor Office said.

France was the largest exporter to West Germany in the period, and its market share held steady at 8.9 per cent, the office said.

Registrations of Japanese cars in West Germany in January-May were 91,100 against 114,900 in the same 1981 period, while French registrations fell to 94,100 from 99,800.

Total registrations fell to 1.06m cars in January-May from 1.13m.

Curbs on air ticket purchases imposed

By Charles Richards in Cairo

EIGHT EUROPEAN airlines have imposed new restrictions on ticket purchases with Egyptian money in an effort to reduce a backlog of new non-convertible local funds.

Foreigners resident less than five years will now have to prepay for tickets either outside the country or pay by credit card. Egyptians and long-term foreign residents will no longer be able to buy youth and excursion fares but will have to pay full fare.

Formerly, foreigners produced bank receipts showing they had changed the requested amount of foreign currency at a bank into Egyptian pounds.

The airlines' head offices have acted because they say the surpluses have been building up in Egypt as the Central Bank of Egypt has been delaying the release of hard currency.

According to a bulletin issued after a meeting of the airline representatives held in Cairo on June 20, the total held up was E£59m (£40m) up to December 31 1981 and an estimated further E£15m till the present.

Whereas before the central bank would take three to four months to release funds, some airlines have not received any since August and September last year.

The airlines are uncertain of the effect of their action. Most tourists buy their tickets outside the country. But the move, brought about because of the shortage of foreign currency in Egypt, is likely further to reduce foreign currency inflows.

Soviet pipeline hopes are pinned on to-day's summit. **Kevin Done** reports

U.S. sanctions threaten European jobs

DESPITE ALL the hard words, U.S. President Ronald Reagan has virtually no chance of stopping the flow of additional supplies of natural gas from the Soviet Union to Western Europe. His tougher anti-Soviet sanctions policy—said to be aimed at gaining a political liberalisation in Poland—stands every chance, however, of throwing thousands of West Europeans out of work.

West German industry—both in the shape of gas purchasers and gas pipeline equipment suppliers—is convinced that the U.S. is tilting at windmills in trying to halt the Soviet Union's ambitious project to deliver extra natural gas to Western Europe starting in 1984.

On a recent visit to Moscow Dr Klaus Liesen, chief executive of Ruhrgas, the leading West German gas purchaser, was again assured by senior Soviet officials that the gas would flow as contractually arranged from the autumn of 1984. Mr Leonid Kostandov, a deputy Soviet Prime Minister, said last week that the pipeline would be ready to go into operation in 1983.

The reason why the West German gas industry takes such assurances seriously is simple. The Soviet Union is no under-developed country when it comes to producing and transporting natural gas. It is the world's biggest exporter of gas—accounting for 31 per cent of total gas exports in 1981—and is the world's second largest gas producer after the U.S.—accounting for 29 per cent of world natural gas production last year.

The 3,415-mile export pipeline that the Soviet Union is building from the massive Urengey natural gas field in Western Siberia to the West German/Czech border accounts for only a sixth of the 16,150 miles of large-diameter gas pipelines that the country is seeking to install under the current five-year plan. (The last 560 miles are in Czechoslovakia.)

The other five-sixths are being built in any case with East bloc technology—the Soviet Union has been building gas compressor stations for 30 years. The export pipeline—planned with Western equipment—is only one of six lines the Soviet Union is presently building from West Siberia to Western parts of Russia and beyond to customers in East and West Europe.

The pipelines from West Siberia are being laid parallel to each other for much of the route. President Reagan's opposition to the one export line has raised it to the status of a prestige object for Moscow, argue the West Germans and through which pipeline the export gas flows is irrelevant.

Even without Western equipment Moscow can force through a pipeline to West Europe by switching domestic resources to the job and by denying domestic consumers in the meantime increasing gas supplies. It is a sacrifice, argues West German industry, that the Soviet Union would be perfectly ready to make to prove its independence of U.S. technology.

In addition, the Soviet Union has more time available than is perhaps at first apparent. The first deliveries are due towards the end of 1984, but supplies will start only at a very low level. The peak of supplies—in West Germany's case, for instance, 10.5bn cubic metres a year—will not be reached until 1988-89.

Deere, the world's largest manufacturer of farm equipment, may have lost the chance to win a Soviet contract worth as much as $150m $200m because of the Reagan Administration's trade sanctions against the Soviet Union. Mr Robert A. Hanson, Deere's president and chief operating officer, is said to have told Mr William Clark, National Security Adviser, and Mr Malcolm Baldrige, U.S. Commerce Secretary, at a White House meeting that Deere had held talks on a possible agreement to supply the Soviet Union with technology to build a 150 hp tractor. Mr Hanson, according to Deere, said the sanctions made it unlikely that a contract could be concluded.

Pressure on the Soviets is also reduced because of the the lower volumes they have contracted to supply to West Europe. The project that is being realised today is very different from the scheme talked of two to three years ago. Originally, Moscow proposed selling 40bn cu m of Siberian gas a year to West Europe, drawn from the Yamal peninsula and transported through a bigger line or two parallel pipelines.

So far they have contracted only to sell a total of 20.4bn cu m a year to West Germany, France, Austria and Switzerland, though a further 8bn cu m is still being negotiated with Italy. The pipeline itself is smaller—it will have an effective annual capacity, with all compressors, of no more than 25-28bn cu m a year—and the gas will come from the Urengoy field which is already in production.

The damage the Reagan embargo will wreak on the other hand, is to the industrial fortunes of a number of West European companies, who have taken orders totalling several billion dollars for the supply of 41 pipeline compressor stations. Much of the equipment, though under manufacture in West Europe, is under licence from U.S. companies, and this is the lever President Reagan is using to stop equipment supplies to the Soviet Union.

The biggest groups hit are AEG-Telefunken of West Germany, John Brown of the UK and Nuovo Pignone of Italy, which are manufacturing 125 gas turbines under licence from General Electric. There are also Creusot Loire of France, Dresser of France, and Mannesmann Demag of West Germany, which are building 68 compressors under licence from Cooper and Dresser in the U.S. In addition Alsthom Atlantique was to supply turbine rotor spares also under licence from General Electric.

The position is perhaps most critical for jobs at AEG's turbine-making subsidiary AEG-Kanis in Essen, where the Soviet contract for 47 turbines accounts for more than 50 per cent of the order book.

According to Herr Heinz Dürr, AEG chief executive, the very existence of the Essen plant is endangered together with thousands of jobs. The Soviet contract was taken last autumn at rock-bottom prices chiefly to save the plant from closure. He said last week the U.S. measures would not stop the delivery of Soviet gas. "We think it is illogical to push through the gas deal, to buy the gas from the Soviets up to the year 2009, but not to be allowed to deliver the compressors."

Talk by some West European government leaders of taking the U.S. before the international courts will hardly alleviate the position. Legal actions could drag on for months and for companies like AEG-Kanis the crisis is so acute that decisions on redundancies are only day or weeks away. It cannot continue to produce equipment on the current scale for an order that is embargoed and which faces every prospect of being cancelled by the Soviets.

Simply to press ahead with the manufacture and delivery of compressor station equipment in defiance of the U.S. embargo is also hardly an option for a company with the widespread international interests of an AEG. Penalties the U.S. could impose include black-listing from the U.S. market, as well as civil and criminal penalties such as hefty fines or the arrest of company executives in the U.S.

The intertwining of international business interests would have made such moves appear incredible before last week, but President Reagan's latest moves are pushing relations between the U.S. and its West European allies in this dangerous direction.

Only a rapid political solution can help and all hopes are now pinned on the European Community summit meeting in Brussels today where the jeopardised pipeline deal is high on the agenda as a potent symbol of frayed U.S.-West European relations. Against such a background, it is perhaps not so surprising that one placard at the recent anti-Reagan peace demonstration in Bonn read: "Better to have gas from the East than rockets from the West."

SHIPPING REPORT

Tanker market suffers sharp drop in trade

BY ANDREW FISHER

THE WORLD'S shipping markets are plumbing new depths of gloom each week, with shipbrokers seeming to vie with each other to find the most depressing ways of describing trade.

In the tanker market, for instance, Galbraith Wrightson said several owners must have been happy to take their summer holidays "to avoid having to face up to the stark realities of the market."

The only areas which had kept up any semblance of activity, it added, had been the Caribbean and the Mediterranean.

The Gulf has been semi-dormant, with only around half a dozen fixtures from there last week.

The amount of tonnage trading out of Kharg Island off Iran has also slumped, with only one fixture arranged for a part cargo of 130,000 tons, discharging in the West at Worldscale 52½.

But Galbraith hoped that more crude oil would be moving from Iranian terminals in the near future, even though it had been suggested that Iran will be putting up its oil prices from the start of July.

E. A. Gibson noted that there had been some interest for ships of up to 150,000 tons loading in Indonesia. One was arranged to Trinidad at Worldscale 25½.

On the dry cargo side, business was again slack. The rate for grains from the U.S. Gulf to Europe fell further to $6 a ton.

World Economic Indicators

UNEMPLOYMENT

		June '82	May '82	April '82	June '81
UK	000s	3,061.2	2,969.4	3,007.8	2,680.5
	%	12.8	12.4	12.6	11.2
		May '82	April '82	March '82	May '81
U.S.	000s	10,549.0	10,307.0	9,854.0	8,248.0
	%	9.5	9.4	9.0	7.5
		April '82	March '82	Feb. '82	April '81
W. Germany	000s	1,710.1	1,811.4	1,935.3	1,146.5
	%	6.5	6.9	7.4	4.4
France	000s	1,928.2	1,964.5	2,003.8	1,645.7
	%	8.5	8.7	8.8	7.3
Italy	000s	2,279.3	2,301.7	2,304.4	1,884.4
	%	10.2	10.3	10.3	8.5
Netherlands	000s	482.7	486.1	492.8	333.7
	%	9.3	9.3	9.5	6.4
Belgium	000s	518.0	523.7	529.7	426.8
	%	12.8	12.9	13.0	10.5

Source (except UK, U.S., Japan): Eurostat

'Misleading' facts on N-power

BY RICHARD JOHNS

THE Central Electricity Generating Board is accused in a report out today of being "misleading and systematically optimistic about the economics of nuclear power."

The study, commissioned by the Electricity Consumers' Council and written by Gordon MacKerron, voices the criticisms of CEGB investment apraisals included in last year's Monopolies and Merger Commission report on the board's operations.

Many of Dr MacKerron's assertions are strongly contested by the CEGB. Senior officials say the study has been largely—and "uncritically"—drawn from the MMC report, that it is unscientific and takes no account of greater elaboration recently introduced into the board's appraisal methodology.

Dr MacKerron charges that CEGB investment appraisals "build in a systematic optimism about the future" and plant related costs are based on the best possible outcome rather than on the basis of central or most likely ones.

He concedes that pressurised water reactors might make nuclear power substantially more competitive than coal but says that "at present the uncertainties are too great—particularly in the possible effects of world-wide safety developments on UK costs—to suppose that PWRs will necessarily fill that role for the UK."

At the same time he acknowledges that, if there was a moratorium on nuclear development, increased demand for coal and the greater bargaining strength obtained by miners would lead to a substantial increase in the power of coal.

CEGB officials were quick to point out that Dr MacKerron had ignored the broader scope of its projections introduced as a result of the MMC report, in spite of the fact that these had been published six weeks ago.

The CEGB ......

In tha CEGB statement of the case for Sizewell B power station, published in April, five planning background scenarios for appraising capital and fuel costs for different types of generators are used instead of two as previously.

While rejecting the MMC accusation of nuclear bias in estimating key parameter values, the CEGB has accepted the need for improved performance, procedures and presentation.

In particular, it has admitted having been optimistic in its assumptions about construction times, which in the past have been based on targets.

CEGB officials take strong issue with one criticism made by Dr MacKerron about the use of historic costs in assessing the economic of Magnox

Nuclear Power and the Economic Interests of Consumers. By Gordon MacKerron. Research Report No. 6, Electricity Consumers' Council. Dr MacKerron is Fellow of the University of Sussex and a member of its Science Policy Research Unit.

Brisk trade at Barclays forecast for Saturdays

By William Cochrane

BARCLAYS BANK plans to open 33 of its branches on Saturday mornings from August 14, providing busy high street activity in England and Wales, the bank said yesterday.

A note circulated to the bank's staff at the weekend said Barclays had settled on Saturday opening in 460 high street branches. Opening will be phased in from mid-August until September 11.

Clerks are being offered an extra £24, £32 or £40 for Saturday morning work, depending on their grade. Pay will be in a separate contract—which in each case represents an increase of a third over an earlier offer.

Barclays said yesterday it would probably need a pool of about 10,000 "volunteers" to achieve a manning level of between five and 10 staff at branches on Saturdays. It accepts that many of them would not want to work every week.

Barclays group employs about 70,000 people in the UK, some 55,000 of whom work at branch level. It emphasised yesterday that Saturday morning staff would not be drawn solely from those who worked there on a Monday to Friday basis. For example, a City of London employee, could work in commuter territory, which might be closer to home.

Barclays's policy of charging customers of other banks 50p for cashing a cheque will apply on Saturdays, when the bank expects to confine itself to dealing with cheques, money transmission and loan applications.

While the deal has not been accepted by the Banking Insurance and Finance Union, Barclays noted that BIFU is not opposed in principle to Saturday opening. With clerks typically earning £5,000-£6,000 a year, the bank is confident it will have enough volunteers to make the scheme viable.

Two recruited from industry to board of BA Helicopters

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

SIR JOHN KING, chairman of British Airways, has moved to strengthen the board of the airline's subsidiary, British Airways Helicopters, with the appointment of two top calibre industrialists as non-executive directors.

They are Mr Sebastian De Ferranti, formerly the head of Ferranti Electronics and Mr Fred Bonner, deputy chairman of the Central Electricity Generating Board.

These two appointments are part of Sir John's overall plans to reorganise and strengthen progressively the various parts of the rambling British Airways empire.

He plans to give more autonomy to the helicopter business with eventual possibility of selling it off to private enterprise, although it is understood this is not an immediate priority.

British Airways Helicopters is one of the more profitable wholly-owned subsidiaries of the state airline. In the last financial year to the end of March, BAH is believed to have earned a substantial pre-tax profit, although the precise amount is not likely to be disclosed until publication of the British Airways group's profits, later this summer.

Mr de Ferranti's and Mr Bonner's appointments follow the recent appointment of Mr Michael Ginn to the post of managing director of British Airways Helicopters. Mr Ginn, who was formerly with BAH's rivals, Bristow Helicopters, was appointed to take over from Mr Russel Keefe later this summer.

British Airways Helicopters, as one of the two largest helicopter operators in the United Kingdom, is one of the most vigorously expansionist of British Airways' subsidiaries.

Docklands display of aircraft for the City

By William Cochrane

A DEMONSTRATION of a Dash 7 Short Takeoff and Landing (STOL) aircraft on London's Isle of Dogs yesterday was described as "a very successful experiment" by Brymon Airways, joint proposer with the Mowlem construction group of a STOL mini airport in the Royal Docks area of Newham.

The demonstration was designed to show that the new generation of STOL aircraft "are very quiet and safe and are specifically designed to operate in urban areas without causing adverse environmental impact," according to Mr Philip Beck, chairman of Mowlem.

The Dash 7 is a 50-seater, four-engined turbo-prop aircraft with a range of about 400 miles. Its manoeuvrability allows it to land and take off so steeply that it quickly reaches a height at which it cannot be heard from the ground, according to Brymon.

The demonstration was well attended by local government officials and produced "not a word of dissent," according to Brymon. It was part of a programme of public consultation arranged by the promoters in conjunction with the London Docklands Development Corporation and community groups.

Mowlem and Brymon said earlier this month that while the proposal was known to be of interest to the LDDC, and that local community leaders had reacted favourably to the idea, the scheme had to prove itself acceptable to local residents.

Tipple for the British tastebuds

A RANGE of Loire wines "specially tailored" to suit the British palate is to be launched later this year.

French producers are to make a push over the next few months to gaio a bigger share of sales in the UK, the fastest-growing wine market in the world.

The wines have been created by the Caves de La Loire, the largest co-operative in the Anjou and ooe of the 10 biggest in France. They are the result of a study into British wioe tastes which has been going on since 1973.

A fifth of all Loire wines sold in the UK come from the co-operative, which exports about 1.3m bottles a year to Britain. The company also plans to launch a range of traditional Anjou rose and red wines, as well as its sparkling white and rose.

French wine sales to Britain rose by almost 23 per cent last year to 177m bottles.

Woodworking federation reports improved trade

BY OUR INDUSTRIAL CORRESPONDENT

IMPROVED TRADING in the first five months of this year is reported by 95 per cent of companies interviewed in the Britisb Woodworking Federation's latest trade survey.

Its report, published today, sbows that half of these companies also expect further improvement during the summer months.

But, on a less optimistic note, the report also stresses that only 20 per cent of companies were working at full capacity at the beginning of this month, most averaging between 70 and 85 per cent of capacity. A number of companies stressed continuing trading difficulties, and were "no less concerned about the short duration of many existing contracts as well as the general unpredictability of forward workload prospects."

The federation says that the improvement in the industry's fortunes, compared with very depressed levels last year, directly reflects increased activity in new bouse building.

Half the companies covered in the survey have increased their workforces since the beginning of the year by an average of 10 per cent. Fewer than 10 per cent of companies have continued to shed labour. Short-time working has generally declined.

The federation continues to be concerned about e "powerful threat" from imports, and believes that it may have grounds for anti-dumping action concerning Taiwan.

"There is also continuing concern over low profit margins and over-keen pricing in the fierce competition that exists for available work," said Mr Peter Shapcott, director.

● The Builders Merchants Federation reports that sales by members in April this year were 4 per cent up on April 1981. This is the third increase over 1981, after 1.3 per cent in March and 3 per cent in February.

NHS staff may practise privately

THE Minister of Health, Mr Kenneth Clarke, bas informed the British Medical Association that community physicians can bave the right to practise privately in eddition to their normal duties, their annual coo-ference was told this weekend.

Community physicians are employed by bealth authorities and take part in the administration and planning of health aervices and preventative medicine.

The offer was announced by Dr Stuart Horner, chairman of the BMA's Central Committee for Community Medicine, to 70 representetives of British community pbysicians in London.

The minister agreed that whole-time community physicians sbould be able to undertake private practice oo the same terms as whole-time hospital consultants up to a limit of 10 per cent of their NHS salary, Dr Horner said.

Laker man's venture

BY RAYMOND SNODDY

A FORMER director of Laker Airways, made redundant by the collapse of the airline, has established a company at Gatwick Airport to replace damaged luggage on the spot.

Mr John Searr, managing director of the new company, Luggage Replacement Services, says the aim is to reduce the costs, delay and aggravation involved in replacing damaged baggage.

Twelve airlines — including British Airways, Air India, Dan-Air and Air Florida—are taking part in the luggage replacement scheme.

Passengers travelling to Gatwick with those airlines, whose luggage has been damaged in transit, will be limited from July 1 to show the damage to the airline or agent.

Week's parliamentary business

TODAY

Commons: Debate on Opposition motion on the repressive operation of immigration regulations. Motions on Town and Country Planning (Vauxhall Cross) Special Development Order. Proceedings on Iron and Steel Bill (Lords).

Lords: Criminal Justice Bill, Committee.

Select Committees: Treasury and Civil Service—Subject: International Monetary Arrangements. Witnesses: Ford of Europe Inc. and Unilever plc (Room 15, 4.30 pm).

Public Accounts — Subject: General Lighthouse Fund. Witnesses: Mr M. D. M. Franklin, Department of Trade; Commissioners of the Irish and Northern Lighthouses; Trinity House (Room 16, 4.45 pm).

Social Services—Subject: 1982 Public Expenditure on the social services. Witness: Rt Hon Norman Fowler, MP, Social Services Secretary (Room 21, 5.30 pm).

TOMORROW

Commons: Northern Ireland Bill remaining stages.

Lords: Food and Drugs (Amendment) Bill, Third Reading. Merchant Shipping (Liner Conferences) Bill, Second Reading. Civil Jurisdiction and Judgments Bill, Commons amendments. Relief from Forfeiture Bill, Committee.

Select Committees: Procedure (Finance)—Subject: Procedure (Finance). Witnesses: Mr Jock Bruce-Gardyne, MP, Economic Secretary to the Treasury (Room 15, 4.15 pm).

Committee on Private Bills—Cumbria Bill (Lords) (Room 6, 10.30 am). London Transport (Liverpool Street) Bill (Room 8, 11.00 am).

WEDNESDAY

Commons: Consideration of Lords amendments to the Local Government Finance (No. 2) Bill until about 7 pm, followed by motions on the Northern Ireland (Emergency Provisions) Act 1978 (Continuance) Order, and on the Northern Ireland Act 1974 (Interim Period Extension) Order.

Lords: Taking of Hostages Bill; consideration of Commons amendments. Stock Transfer Bill, Committee; Supply of Goods and Services Bill, Third Reading. Debate on second report of EEC Agricultural Trade Policy. Debate on the 12th report of the EEC on revision of the European Regional Development Fund. Unstarred Question on Lord Rothschild's report on the Social Science Research Council.

Select Committees: Home Affairs—Subject: Home Office procedures for investigation of possible miscarriage of justice. (Room 8, 11.00 am).

Public Accounts—Subject: Investment Appraisal. Witness: Sir Anthony Rawlinson, HM Treasury (Room 16, 4.00 pm).

Treasury and Civil Service Sub-Committee—Subject: The structure of personal income taxation and income support. Witnesses: Sir Brandon Rhys Williams, MP and Mr Frank Field MP (Room 15, 4.00 pm).

Welsh Affairs — Subject: Scrutiny of Welsh Office Departments. Witnesses: Welsh Office officials (Room 18, 4.30 pm).

Committee on Private Bills—Cumbria Bill (Lords) (Room 6, 10.30 am); London Transport (Liverpool Street) Bill (Room 5, 10.30 am).

THURSDAY

Commons: Debate on a motion to approve the statement on Defence Estimates (First Day).

Lords: Criminal Justice Bill, Committee. Cinematograph (Amendment) Bill, Report.

Select Committee: Committee on Private Bills—unopposed Bills. Greater London Council (Money)—(Room 11, 4.00 pm). Cumbria Bill (Lords)—(Room 6, 10.30 am). London Transport (Liverpool Street) Bill—(Room 5, 10.30 am).

FRIDAY

Commons: Local Government (Miscellaneous Provisions) Bill: consideration of Lords amendments.

Lords: Criminal Justice Bill, Committee (unless completed on previous day).

BTG seeks law to bind its joint operations

BY JOHN ELLIOTT, INDUSTRIAL EDITOR

THE British Technology Group has so far failed to persuade the Government to introduce legislation next year which would provide a statutory basis for its operations.

It wants the legislation to bind its parts—the National Enterprise Board and the National Research Development Corporation—which have been operating jointly for more than a year.

The informal link-up appears to be working so smoothly that ministers have not been persuaded to find room in the crowded parliamentary timetable for the legislation.

Some ministers want the legislation because it would eliminate the name of the NEB which has been a target for many backbench Conservative MPs since the organisation was set up by the last Labour Government seven years ago.

This has not proved a strong enough argument. But no final decisions will be taken until the Queen's Speech in the autumn. A short Bill might be introduced later.

Sir Freddie Wood, part-time chairman of the BTG and of its two sections, may express his wish for legislation in the NEB's annual results to be published tomorrow.

The BTG and the two sections have common board members and the same chief executive. The staffs have also been merged. But each investment has to be allocated statutorily to one or other organisation.

Financial packages have to be designed to fit in with one or other's guidelines and financial criteria. Some investments straddle both organisations which could cause problems when businesses fail.

One compromise being considered is for the Industry Department to produce common guidelines so that the organisations find it easier to operate together.

Vauxhall scheme vote likely today

By William Cochrane

A WIDELY-CRITICISED £200m development scheme for the south bank of the Thames at Vauxhall Bridge is expected to be voted on in the House of Commons tonight.

Parliamentary approval is being sought for a special development order which would allow Arunbridge, the developer, to avoid normal procedures. An option to acquire a key element of the 12-acre Vauxhall Cross site will expire next month.

Mr Michael Heseltine, the Environment Secretary, laid the order before Parliament 10 days ago. It grants full planning permission for a mixed development of offices, housing, shops, recreational facilities, a river wall and a riverside walk.

The project involves more than 1m sq ft of office space in six separate zig-zag blocks, ranging in size from 71,000 sq ft to 320,000 sq ft. There would be open spaces, about 200 terraced apartments and 50,000 sq ft of shopping facilities.

In mid-May it was announced that a design by Sebire Allsop and Mr Ted Happold, senior partner of construction engineers Buro Happold, had been picked from 128 entrants to win a competition organised by the Royal Institute of British Architects.

Plans to redevelop the Thames-side site have prompted strong opposition from some local groups. Since the order was laid before Parliament, it has been criticised by conservationists and Labour MPs.

When Mr Heseltine accepted the winning design in May, he said that he was not imposing his personal taste in laying the order, but was putting forward a proposal tested in open competition and selected by the client from three finalists.

Horse sense decides rest is best cure

THE traditional method of using hot irons to treat lameness in horses does not work, according to a team of researchers.

The age-old method, called line-firing, involved placing hot irons on skin overlying the injured tendon. It is used worldwide to treat tendon injuries, which are the biggest cause of financial loss in the racing industry.

But after a five-year study, Bristol University researchers say line-firing does not improve the rate of recovery after injury, horses are subjected to more psychological stress on the first day of threatment than by any other method.

The researchers conclude that "rest is best" among the common treatments, which include line-firing, pin-firing, tendon splitting, and rest alone.

Prof Ian Silver, head of Bristol University's pathology department, directed the project involving three university departments.

British Gas may face tough talks on N. Sea field

BY MAURICE SAMUELSON

BRITISH GAS could face tough bargaining over access to a large new gas field in the North Sea. The field is seen as the natural successor to Norway's Frigg field, which supplies 30 per cent of the gas distributed in Britain.

Statoil, the Norwegian state oil corporation, said in Oslo that negotiations on the disposal of gas from the Sleipner field will begin in the autumn. Output from the field will build up in eight years' time, shortly before the Frigg field is depleted.

British Gas "appears to be interested" in switching to Sleipner, say Statoil officials. They put its recoverable reserves at 200bn to 210bn cu m. In the past two weeks they have held talks with about 20 potential customers throughout Europe, and believe they will be in a strong position to determine the selling price.

The field's location means that Norway has at least three options on where the new gas should be landed—through the existing Ekofisk or Frigg Field pipeline systems or via a new pipeline to Scotland or the continent.

Statoil hopes that the forthcoming negotiations will enable it to propose by the middle of next year where the gas should be landed.

At least three production platforms would be installed and the gas would come on stream in about 1990.

The company notes that the Frigg field will be depleted at the end of 1992 and that this will be "very serious" for the UK. To maximise their revenue from Sleipner, the Norwegians want to have a sale agreement on the landed price of the gas rather than on the well-head price.

Isle of Man bank loses licence

By Ray Maughan

THE Isle of Man bank, Savings and Investment Bank, which is at the centre of a legal dispute with Mr Jim Raper, has had its licence revoked as a result of and investigation of its affairs by Treasury Officials, the Government Treasurer, Mr William Dawson has announced.

The investigation is continuing.

The bank's deposits, thought to total some £40m, have been frozen.

A spokesman for the Treasurer's department said a lack of confidence had been created in the wake of the dispute with Mr Raper's private company, Gasco Investment.

The legal dispute centres on the bank's injunction, which is still in force, taken out against Gasco and Mr Raper's other company, St Piran, for loan repayments. Gasco has responded with two legal actions for as yet unspecified amounts. The actions are defended.

Savings and Investment's activities are confined largely to the Isle of Man although it acts as one of the banks to Pennine Commercial Holdings, the quoted UK group, and has a 25.89 per cent stake in the fuel oil and lubricants distributor, United Guarantee (Holdings).

Lorne Barling looks at a pottery which has come through the recession unscathed

Fine china continues to travel well

THIRTY SEVEN china and pottery plants, out of a total of about 180, have closed in Britain in the past three years, and membership of the Ceramic and Allied Trades Union has fallen from almost 50,000 to 31,000.

The severity of this diminution has been felt most acutely in the heart of the pottery industry, Stoke-on-Trent, in Staffordshire. A number of old and famous names have disappeared recently through closures and even the larger concerns, such as Wedgwood and Royal Doulton, have suffered badly.

Demand for fine English bone china, however, has held up better than the market for less expensive earthenware, in which foreign competition has been intense.

Aynsley China of Stoke-on-Trent, which was taken over by Waterford Glass of Ireland in 1970 for a little less than £1m, is now contributing that amount annually to the profits of the cut-glass company. It has also maintained full employment during the past two years, increased its profits by 19 per cent in the past 12 months and steadily improved export levels—though not without setbacks in a market where survival has been the main objective of many concerns.

One of the key factors in this success has been Aynsley's ability to market its high-quality products through Waterford outlets in the U.S., where the two products have complemented each other as top-quality tableware.

Aynsley's annual sales have increased from £600,000 to £7.7m in the past decade, while direct exports have risen in value from £400,000 to £3m. Numbers employed have almost doubled, from 400 to 766.

Mr Michael Gillow, chairman and chief executive of Aynsley,

> This kind of work is labour-intensive and unsuited to increased automation since manual decoration is involved.

points out that the company has remained firmly in the quality end of the market, with such customers as the Saudi royal family and British institutions paying large sums for tableware sets. The company has also widened its product range through the introduction of figurines, floral display items and, most recently, oven-to-tableware which has become increasingly popular.

This kind of work is labour-intensive and unsuited to increased automation, since painstaking manual decoration is often involved. But demand has suffered less than that for mass-produced products.

"Waterford gave us a chance to develop the U.S. market, which is now important, but we are resisting the temptation of becoming too dependent on any single country," Mr Gillow said.

Aynsley's growth has been achieved through a capital investment of about £3.5m over 10 years. There are no plans for further expansion, although Aynsley recently took over a local factory from Royal Worcester.

"Our strength is variety. Automation would restrict our style, which is not what we want to do. Additional labour is no problem and the skills are available," said Mr Gillow.

Waterford and Aynsley's marketing policy in the U.S. has involved heavy advertising—about $7m was spent on it last year—and results have indicated that the expenditure was worthwhile. The two companies are adopting a similar approach in Britain.

Mr Owen Kealy, group managing director of Waterford, is also encouraging a greater effort to sell on the Continent and efforts are being made to establish a bigger presence in other, non-English-speaking markets.

Waterford is similarly opposed to further investment in the present economic conditions, but Mr Kealy believes his company could also improve its performance by making better use of existing resources and through more intensive marketing.

One of the main factors for the UK ceramics industry is the value of sterling. The recent recovery of the dollar, after a long period of weakness, is a welcome aid to sales. However, the British Ceramics Manufacturers' Association pointed out that a favourable ratio

> A main factor is the value of sterling. The recent recovery of the dollar, after a long period of weakness, is a welcome aid.

between sterling and any currency in an export market would have to last to do the industry any good. It added that the benefit of the strong dollar was still being offset by high interest rates, while demand in the home market showed little sign of improvement. Between 8,000 and 9,000 workers in the industry are estimated to be on short-time.

Although there was some evidence to suggest that the industry's exports were improving slightly, this could not be substantiated because figures were still affected by the 1981 Civil Service strike.

The association confirmed that English bone china sales had withstood the recession fairly well, but pointed out that most companies had a range of other ceramic products, problems with which more than offset this benefit.

Overall, it is felt that the worst is probably over for the industry, but the prospect of increased employment is limited, since most companies have the capacity to meet reasonable increases in demand without additional labour.

Parking meter fees to double

PARKING METER charges in Belgravia, Knightsbridge and Pimlico areas of Westminster will go up in July.

In the area bounded by Vauxhall Bridge Road, Grosvenor Road, Ebury Bridge Road, Buckingham Palace Road and Terminus Place, charges at 550 meters will go up from 10p to 20p an hour.

In the area bounded by Kensington Road, Knightsbridge, Grosvenor Place, Buckingham Palace Road, Ebury Bridge Road and the boundary with the Royal Borough of Kensington and Chelsea, charges will be increased from 20p to 40p an hour.

Energy Department faces specialist staff shortage

BY RAY DAFTER, ENERGY EDITOR

THE ENERGY Department is facing a critical shortage of petroleum engineering specialists which could hinder plans for a new round of exploration licences.

The department has embarked on a recruitment campaign for reservoir evaluation specialists who are almost 50 per cent under-strength.

The department is offering salaries of up to £26,100 to lure 19 specialists from the oil industry. It wants to return to a complement of 39 before applications for new drilling licences late this year.

The department said salaries were in line with those offered by oil companies and production companies. It hopes to attract specialists who are seeking a home base rather than the extensive travel normally associated with the oil industry.

"There is a general scarcity in the industry of these types of specialists and the department is in competition with the industry for their services. We are running an intensive advertising campaign," the department said.

Most of the specialists will be offered salaries at levels of assistant secretaries and under-secretaries — between £18,525 and £25,000. The department is seeking six reservoir engineers, three geophysicists, six geologists, two petrophysicists and two petroleum engineers.

Existing staff are hard pressed in dealing with informal development plans submitted by offshore operating groups and in monitoring activity on the UK Continental Shelf.

The work pressure will grow when formal development proposals are submitted and when details of the eighth round of licences become known.

The Government is planning to offer between 150 and 200 blocks in August or September. It hopes to attract applications for at least 85 of the concessions by the end of the year.

The eighth-round licences will be offered over a wide area of the Continental Shelf, including gas producing areas, oil producing regions and unexplored territories. As a further complication, between 10 and 20 of the licences are to be offered on an auction basis.

Engineering orders rise

NEW ENGINEERING orders in Britain were up 6 per cent in March compared with last December, but were still 5 per cent lower than the 1981 peak last June.

Department of Industry statistics showed new orders for the home market were up 7.5 per cent in March over December and export orders were up 2.5 per cent. The trend of total sales in this sector has been virtually flat for almost a year.

The department also published figures showing that machine tool sales and orders remained depressed in March. New export orders were 17 per cent lower in March than last December, while export sales were down 11.5 per cent over the same period. New home orders were off 3.5 per cent and sales off 8 per cent.

Max Wilkinson looks at London Business School's latest Economic Outlook

Centre downgrades growth forecast

'Japan has monetary success'

THE IDEA that a tight monetary policy can control inflation without necessarily injuring output is supported by the reaction of Japan to the two oil shocks, says a special article in the current issue of Economic Outlook.

The article, by Professor Alan Budd and Dr Geoffrey Dicks, compares the policies adopted by Japan and the rest of the world after the steep rises in oil prices in 1973 and 1979.

After the first oil shock Japanese money supply was allowed to rise at a markedly faster rate than the rise in the rest of the world. This was in tune with the prevailing wisdom that monetary policies would need to accommodate the higher price levels resulting from the oil price rises.

It is argued that as a result of this policy Japanese prices rose faster in 1974 than those in the rest of the world and industrial production fell by a greater amount in the following year when there was a general attempt to reduce world inflation.

The Japanese authorities then changed their policy towards a much tighter monetary stance.

After the second oil shock, the Bank of Japan adopted this different policy. It said the money supply would not be allowed to rise to accommodate the new oil price levels and that steady anti-inflationary pressure would be maintained.

Between 1979 and 1981, the growth of the Japanese money supply was held significantly below the growth of world money supply.

After this the Japanese inflation rate stayed well below the world rate and the oil price rise caused only a modest and temporary increase in 1980. Industrial output continued to grow, although at a somewhat slower rate, and in contrast to what happened after the first oil shock Japan's growth rate was well above that for the world as a whole.

Professor Budd and Dr Dicks say that part of the explanation for the relative buoyancy of Japanese output after 1979 was the improved competitiveness resulting from the fall in the value of the Yen in 1979.

"However, we would argue that the gains would not have been possible without the accompanying stable monetary policy."

THE SETBACK to national output in the first three months of this year is expected to be temporary and there will be a steady advance in the second half of the year, says the London Business School Centre for Economic Forecasting in its latest economic outlook.

For the year as a whole, the centre is predicting growth of 1 per cent compared with 1981. This is significantly more pessimistic that its last forecast, published in March, when it thought this year's growth would be 1.5 per cent.

This is the fourth successive forecast in which the centre has downgraded its growth forecast for this year. A year ago it was predicting that output would grow by 2.8 per cent in the current year.

Then, after a sharp rise in the dollar last summer and a consequent raising of UK interest rates to defend sterling, the centre became more pessimistic. Its November forecast was for only 1.7 per cent growth. This was somewhat reduced after the fall of industrial production in the winter months to 1.5 per cent in the March prediction.

The centre has maintained broadly the same forecast for the growth of output in 1983. A year ago it put this at 2.8 per cent over output in 1982, the same figure as in its most recent forecast.

The current forecast, in the June issue of Economic Outlook, highlights the boost which the economy received in 1981 when the run down of stocks almost ended.

However, it says a large part of this potential stimulus to domestic demand leaked away into higher imports.

"In the fourth quarter of 1980, the rundown of stocks was over £1bn at 1975 prices, 4 per cent of gross domestic product. In the fourth quarter of 1981, destocking had almost stopped. If nothing else had changed, GDP would have been 4 per cent higher than a year earlier," says the centre.

After a 1 per cent decline in world industrial production in the first quarter of 1982, the centre expects a modest recovery in the second quarter which will gather pace in the second half and in 1983.

For 1983 as a whole there is expected to be little or no change in world output with about 3½ per cent growth in total output in 1983 and 5½ per cent growth in industrial output.

The centre says that while the immediate cause of the world recession was the 150 per cent increase in oil prices in 1979, the main explanation of the renewed downturn in 1981 was the strong anti-inflation policies of most governments, with tight monetary policies and high interest rates.

However, it says the attack on inflation is now producing results, particularly in the U.S.

Although real incomes had fallen, private consumption held up almost to the same level as a year earlier, because of a 2.75 per cent fall in the proportion of income which was saved.

"Private non-residential investment was also strong in 1981. By the fourth quarter it was 2.5 per cent higher than a year earlier. The key factor in depressing domestic demand was the behaviour of the public sector.... But the main reason why the end of destocking did not result in a major upswing was the collapse of net trade."

The centre says that the fact that destocking ended sooner than expected may mean there will be a smaller boost to demand in the current year from this source than was predicted.

It adds: "The rapid deterioration in net trade in the second half of 1981 means that it is now likely to be a much greater negative influence on the growth rate between 1981 and 1982 than we previously thought.

"What has happened is that import penetration has increased sharply over the recession. The increase was not apparent while stocks were being run down because imports also fell, but as destocking came to an end a high proportion of the associated increase in demand has been met from imports."

The increase in imports has been concentrated in manufactured goods, with UK industrial output falling more than proportionately during the recession.

The centre estimates that import penetration, as measured by the ratio of imports to total output, fell from an average 33.6 per cent in 1980 to 31.2 per cent in the first three months of 1981. It rose to 36.2 per cent in the final quarter of last year.

The centre has adopted a "best guess" at future changes in domestic policy as the basis for its forecast rather than the standard assumption of unchanged policies.

"Specifically we have assumed a 2 point cut in the standard rate of income tax in next year's Budget. In subsequent years, further cuts in the standard rate and in the National Insurance surcharge result in a 25 per cent rate of income tax and the removal of the surcharge in 1985-86."

No attempt has been made, however, to allow for any effects of the Falkland Islands crisis, either in the short or in the long term.

The centre is rather more optimistic about the prospects for inflation in the short run, and now broadly agrees with the Treasury's forecast of an annual rate of 7.5 per cent by this time next year. It expects earnings in manufacturing industry to be rising at a annual rate of about 9 per cent by this August.

"We expect wage increases to remain moderate in 1983 even though economic activity is expected by then to be picking up more strongly. Since the deceleration of wages has been achieved without an incomes policy, there is unlikely to be a wage 'explosion' as happened in 1974 and again in 1980," it says.

"Companies are still severely constrained in their price behaviour by the high exchange rate and are unlikely to grant wage increases that they cannot pass on in higher prices—particularly as two years of recession have left company finances in a weak condition."

Since companies have little scope for further improvement in liquidity through running down inventories, the centre says it expects companies will press for moderate wage settlements to release cash for investment and rebuilding of stocks.

It says: "The high level of unemployment will help them to secure the acquiescence of the employees in this strategy."

The corporate sector deficit, which was nearly £2bn in 1981, is predicted to rise just more than £3bn in 1982, with a very modest rebuilding of stocks and an increase of investment by about 9 per cent.

In 1983, with improved profits and a large increase in company savings and investment, the corporate sector deficit is expected to be almost eliminated.

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LONDON BUSINESS SCHOOL FORECASTS
(March projections in brackets—percentage annual increase)

	1981	1982	1983	1984	1985
Annual percentage change					
UK Gross Domestic Product: output measure	−2.8 (−2.7)	1.0 (1.5)	2.8 (2.6)	2.2 (1.8)	1.6 (1.6)
Consumers' expenditure	0.0 (0.1)	0.6 (0.3)	1.9 (1.8)	1.2 (1.3)	1.2 (1.4)
Exports	−1.7 (−1.6)	0.4 (4.3)	6.1 (4.2)	3.8 (3.3)	2.5 (2.7)
Imports	−1.3 (−2.1)	8.5 (11.6)	5.4 (4.0)	3.1 (2.0)	3.7 (1.9)
Consumer prices	10.7 (10.8)	9.4 (10.9)	7.4 (8.5)	9.1 (9.9)	11.2 (9.6)
Money supply (sterling M3)	14.0 (15.9)	10.9 (9.4)	11.8 (10.8)	11.6 (12.1)	12.8 (12.6)
PSBR financial year (£bn)	8.6 (10.2)	8.8 (9.3)	9.4 (9.5)	8.4 (7.8)	8.6 (6.3)
Wholly unemployed (m) annual average	2.5 (2.6)	2.9 (2.9)	3.1 (2.9)	3.1 (3.0)	3.0 (3.1)
Balance of payments current account (£bn)	7.6 (7.4)	2.2 (2.0)	2.9 (2.1)	3.7 (2.7)	4.8 (3.2)

Cheap car imports to N. Ireland remain high

By Kenneth Gooding, Motor Industry Correspondent

UNOFFICIAL, cut-price car imports from the Republic of Ireland, which are threatening to devastate the motor trade in Northern Ireland, continued at a high level in May.

Of 4,533 new cars registered in Northern Ireland in May, 1,099 or 24 per cent were unofficial imports.

The cross-border trade showed little sign of easing even though a number of manufacturers — BL, Ford, Volkswagen-Audi and Renault among them—have introduced special financial schemes to help their dealer networks in Northern Ireland.

Cars from the Republic are being sold at about 17 per cent below list price in the north. That is roughly what Northern Ireland dealers previously had to pay for them.

Two companies particularly badly affected were Mazda and Ford. Some 81 of the 146 new Mazdas registered in Northern Ireland in May were "grey" imports, representing 55 per cent of the total.

Some 396, or 34.6 per cent, of the 1,142 new Fords registered also came in through unofficial channels.

The Motor Agents Association, with 310 members in Northern Ireland and which claims that 1,000 of the 6,000 jobs in the dealer networks there are at stake, will meet Mr Adam Butler, Minister of State for Northern Ireland, on Thursday.

The association is incensed that there seems to be no protection for Northern Ireland while the Republic is fully protected from built-up car imports.

Only authorised importers are permitted to bring cars into the Republic and those must not compete with any being assembled in the country.

At a previous meeting with Mr David Mitchell, Northern Ireland Under Secretary, the association won a promise that British type approval regulations, which cover vehicle safety, would be extended to Northern Ireland.

This would prevent the bulk import of cars.

FT GROCERY PRICES INDEX

Warm spell brings cheap fresh produce

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

THE FINANCIAL TIMES grocery prices index fell in June for the first time in 10 months, mainly as a result of cheap supplies of fresh fruit and vegetables following the warm spell in May and early June.

The index in June stood at 149.87, compared with 151.06 in May.

Although there were small falls in cost in a number of sections of the shopping basket, the major reduction leading to the overall fall in the index came from the lower cost of fresh fruit and vegetables. This section of the shopping basket fell in cost from £416.26 in May to £393.01 in June.

This reduction is clearly due to plentiful supplies of fresh produce arising from the warm weather.

The Fresh Fruit and Vegetable Information Bureau reports that particularly good buys are broad beans and peas and the "best potato buys are English and Brittany Prince new, with Cyprus and Jersey Royals also good value."

Cabbages and other greens are also "good value" at the moment, according to the bureau, although cauliflower prices vary depending on size.

The grocery prices index is compiled from information supplied by 25 shoppers who monitor a list of over 100 grocery items each month. The stores, which form the same sample each month, range from small village grocers to large urban superstores.

The index is meant, however, as a guide only to trends in food prices and should not be taken as an absolute indicator of price levels.

The FT grocery prices index is copyright and may not be used in any way without consent. All inquiries should be made to Lucinda Wetherall at the Financial Times.

FINANCIAL TIMES SHOPPING BASKET
JUNE, 1982

	June £	May £
Dairy produce	720.99	823.12
Sugar, coffee, tea and soft drinks	211.85	210.59
Bread, flour and cereals	322.61	323.34
Preserves and dry groceries	118.33	118.35
Sauces and pickles	55.26	55.34
Canned foods	204.81	203.27
Frozen foods	260.20	256.71
Meat, bacon, etc. (fresh)	638.36	644.62
Fruit and vegetables	393.01	416.26
Non-foods	261.02	260.17
Total	3,186.44	3,211.77

1981: January 130.96; February 131.75; March 132.75; April 134.93; May 136.30; June 137.37; July 136.62; August 135.50; September 136.60; October 137.49; November 140.51; December 141.24.
1982: January 144.81; February 145.83; March 146.71; April 147.75; May 151.06; June 149.87.

Spending rise forecast

BY OUR CONSUMER AFFAIRS CORRESPONDENT

A "MODEST" increase in consumer spending next year is forecast by stockbrokers Phillips and Drew in the firm's latest retailing review published today.

The brokers say that, given the continuing squeeze on real incomes, any increase in retail sales volume in 1982 will be marginal. They predict, however, that next year volume growth should accelerate to between 2 and 3 per cent, reflecting a boost from Government reflation and higher wage settlements.

The review points out that such an outcome would still be modest by comparison with previous consumer outturns. A marked easing of cost pressures and a stabilising of retail competition are forecast.

CONTRACTS AND TENDERS

COMPANY NOTICES

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TUC asks health authority heads for help over pay

BY JOHN LLOYD, LABOUR EDITOR

THE TUC has written to the chairpersons of all health authorities, to ask them to "use all the influence" they can to persuade the Government to improve its offer of pay rises of 7.5 per cent to nurses and 6 per cent to other National Health Service staff.

Mr Peter Jacques, secretary of the TUC health services committee, said that the NHS unions were asking Mr Pat Lowry, chairman of the Advisory, Conciliation and Arbitration Service (Acas), to mediate in the dispute. Mr Lowry has already been asked by Mr Norman Fowler, the Social Services Secretary, to get involved in the dispute — but without a specific brief, and without the machinery of Acas.

Mr Jacques accused the Government of being "divisive and provocative", and said it had broken off negotiations despite the refusal of the health service unions to accept the revised offer.

He said £40m. of the further £89.9m made available by the Government to improve its original offer of 6 per cent to nurses and 4.5 per cent to other staff, will come out of existing health authority budgets, thus making for cuts in other expenditure.

"The National Association of Health Authorities estimates that, as a consequence, all but the most deprived regions will suffer a real cut in their resources for patient care this year. The highest-growth regions will lose the bulk of their planned development money," he went on.

Mr Jacques said that the improved offer would add only 39p net to nursing auxiliaries' pay at the lower end of the pay scales, and 89p a week to that of a senior nursing officer at the higher end.

"These revised offers do not provide a basis for further negotiations within the established bargaining machinery. . . . The revised offer is well below settlements agreed for the police, firemen, water workers and workers in the nationalised energy industries.

"In addition, most health service workers are being offered less than the average of the private manufacturing industry settlement monitored by the CBI."

● A three-day strike of all NHS unions has been called for Monday, July 19, to Wednesday, July 21.

● Electricians involved in a dispute which stopped the publication of The Times on Friday and Saturday have resumed normal working. The Sunday Times, which would have been affected, was published normally yesterday.

The four electricians whose dismissal led to their colleagues walking out, have been reinstated.

THE NEW general secretary of the National Union of Public Employees has called for key workers in water, electricity, gas supply, and local authorities, to take action in support of the Health Service workers.

Mr Rodney Bickerstaffe said the meeting of general secretaries of all unions with National Health Service memberships on July 5, should widen the action to these key groups of workers.

Nupe has been pushing for the widening of public sector pay campaigns to involve groups other than those directly affected for two years.

The unions involved include the Transport and General Workers' Union, the General and Municipal Workers' Union, the Electrical and Plumbing Trades Union and the Confederation of Shipbuilding and Engineering Unions, which includes the Amalgamated Union of Engineering Workers in its membership. The July 5 meeting will embrace almost every major union in the country, and a strike call from that meeting would amount to mobilisation for a general strike.

A number of senior union leaders believe a snap election could be called over the series of disputes under way.

NUR left-wingers may not demand Weighell's removal

BY PHILIP BASSETT, LABOUR CORRESPONDENT

LEFT-WINGERS in the National Union of Railwaymen (NUR) are likely, as the national rail strike gets under way, to draw back today from a motion of no-confidence in Mr Sid Weighell, the union's general secretary.

Even before the union's annual conference, which opens in Plymouth today, is due to decide the future of the British Rail and London underground strikes, it will consider a left-inspired resolution from the NUR's Brighton branch on these lines demanding Mr Weighell's removal from office.

Left-wingers acknowledge that the political complexion of the relatively moderate annual general meeting is such that the Brighton resolution would be defeated if put. This would effectively turn it into a vote of confidence in Mr Weighell—which is far from what the left wants.

For the left seems set to turn this position into a tactical victory, either by not pressing the motion to a vote but airing its grievances against Mr Weighell or, more cleverly, by proposing its remission, which would still leave it on the agenda for the more left-dominated NUR executive to consider.

Well briefed proponents of the motion are set to argue in considerable detail, if necessary, that Mr Weighell has allegedly broken a number of the union's complex rules — mainly those referring to the relationship of the general secretary to the executive.

If the debate is not curtailed, Mr Weighell is likely to argue strongly against the left's allegations, which suggest that he has withheld information and correspondence, refused special meetings requested under rules, declined to place items on the executive agenda and "distorted" the meaning of executive decisions or in some way frustrated their application.

Bank terminals opposed

BY OUR LABOUR EDITOR

THE BANKING Insurance and Finance Union (Bifu) is to oppose the spread of banking facilities—through the use of terminals linked to a bank's computer, to places other than banks.

A report by Bifu on new technology in banking recommends opposition to such terminals, and says the union would call on other trade unions to support its stand. It is also opposed to shop-workers refilling cash machines "to the detriment of bank employees."

The report sets out a model agreement on new technology, to preserve jobs, gain joint control of changes in working practices and expand service.

The union says that, where an employer refuses to sign such an agreement, it will "have to assess the implications of the technology being introduced by the employer, and whether to advise its members to obstruct its introduction."

It also says it will withdraw support for Youth Opportunities Programme schemes in the absence of new technology agreements, "unless it can be clearly shown by the employer that the employment of these young people is not excluding them from becoming permanent staff."

Bifu is concerned that automated equipment should not be used to monitor how quickly staff members work or their use of telephones.

Union leader 'not invited'

MR KEN GILL, general secretary of the engineering white-collar union AUEW-Tass, has said that he had no knowledge of a meeting of leaders of all four sections of the Amalgamated Union of Engineering Workers—engineering, foundry, construction and Tass—which a report in last Friday's Financial Times said had been arranged for yesterday evening in Llandudno.

He said no invitation had been extended to him to attend such a meeting.

APPOINTMENTS

Regional directors for NatWest

Mr Geoff Richardson has been appointed regional executive director of NATIONAL WESTMINSTER BANK'S south east region, of which he has been deputy regional director since 1978. He succeeds Mr Peter Spencer who retires on June 30. Mr Peter Tyley, formerly area director, Bedford area, has been appointed deputy regional director of NatWest's south east region. He succeeds Mr Geoff Richardson who becomes regional executive director.

*

Mr Derek Palmar, chairman and chief executive of Bass, and Mr Nicholas Wills, a director of The British Electric Traction Company have been appointed to the board of DRAYTON CONSOLIDATED TRUST, a company managed by Drayton Montagu Portfolio Management.

*

MICROSOFT EUROPE, newly-former subsidiary of Microsoft Corporation, U.S., has appointed Mr Chris Gare as director of European marketing, and will initially be based in the UK. He joins from Motorola.

*

Mr George Walker, Mr John Marshall and Mr Roy Owens, formerly partners with Carr Sebag and Co., have recently joined KITCAT AND AITKEN as associated members of the Stock Exchange.

*

Mr R. J. S. Barker has joined C. H. INDUSTRIES as group financial director.

*

Mr David Stern has been appointed senior director and chief executive, UK operations, at the MEMORY GROUP. He will be responsible to the main board for the three group companies in the UK: Memory Computer Services, Memory Computers (UK) and Memory Computers (Northern Ireland). Mr Barry Green has been named deputy chief executive—and has also been appointed managing director of Memory Computer Services. New managing director of Memory Computers (UK) is Mr Graham Barrett. Memory Computers (NI) also has a new managing director. He is Mr Brian McCallion.

*

Mr R. Andrew Jones has been appointed production director of P. I. CASTINGS (ALTRINCHAM). He was previously production manager. Mr D. N. Green has retired from the board of P. I. Castings Group.

BASE LENDING RATES

A.B.N. Bank	12½%	Robert Fraser	13 %
Allied Irish Bank	12½%	Grindlays Bank	†12½%
American Express Bk.	12½%	■ Guinness Mahon	12½%
Amro Bank	12½%	■ Hambros Bank	12½%
Henry Ansbacher	12½%	Heritable & Gen. Trust	12½%
Arbuthnot Latham	12½%	■ Hill Samuel	§12½%
Associates Cap. Corp.	13 %	C. Hoare & Co.	†12½%
Banco de Bilbao	12½%	Hongkong & Shanghai	12½%
BCCI	12½%	Kingsnorth Trust Ltd.	14 %
Bank Hapoalim BM	12½%	Knowsley & Co. Ltd.	13 %
Bank of Ireland	12½%	Lloyds Bank	12½%
Bank Leumi (UK) plc	12½%	Mallinhall Limited	12½%
Bank of Cyprus	12½%	Edward Manson & Co.	13½%
Bank Street Sec. Ltd.	13½%	Midland Bank	12½%
Bank of N.S.W.	12½%	■ Samuel Montagu	12½%
Banque Belge Ltd.	12½%	■ Morgan Grenfell	12½%
Banque du Rhone et de la Tamise S.A.	13 %	National Westminster	12½%
Barclays Bank	12½%	Norwich General Trust	12½%
Beneficial Trust Ltd.	13½%	P. S. Refson & Co.	12½%
Bremar Holdings Ltd.	13½%	Roxburghe Guarantee	13 %
Brit. Bank of Mid. East	12½%	E. S. Schwab	13 %
■ Brown Shipley	13 %	Slavenburg's Bank	12½%
Canada Perm't Trust	13 %	Standard Chartered	‖12½%
Castle Court Trust Ltd.	13 %	Trade Dev. Bank	12½%
Cavendish G'ty T'st Ltd.	14 %	Trustee Savings Bank	12½%
Cayzer Ltd.	12½%	TCB	12½%
Cedar Holdings	13 %	United Bank of Kuwait	12½%
■ Charterhouse Japhet	12½%	Whiteaway Laidlaw	13 %
Choulartons	13 %	Williams & Glyn's	12½%
Citibank Savings	¶12½%	Wintrust Secs. Ltd.	12½%
Clydesdale Bank	12½%	Yorkshire Bank	12½%
C. E. Coates	13½%		
Comm. Bk. of Near East	12½%		
Consolidated Credits	13 %		
Co-operative Bank	*12½%		
Corinthian Secs.	12½%		
The Cyprus Popular Bk.	12½%		
Duncan Lawrie	12½%		
Eagil Trust	12½%		
E.T. Trust	13 %		
Exeter Trust Ltd.	13½%		
First Nat. Fin. Corp.	15½%		
First Nat. Secs. Ltd.	15½%		

■ Members of the Accepting Houses Committee.
* 7-day deposits 9.5%, 1-month 9.75%. Short term £8,000/12 month 12.1%.
† 7-day deposits on sums of under £10,000 9½%, £10,000 up to £50,000 10¼%, £50,000 and over 11%.
‡ Call deposits £1,000 and over 9½%.
§ 21-day deposits over £1,000 10½%.
‖ Demand deposits 9½%.
¶ Mortgage base rate.

MANAGEMENT — EDITED BY CHRISTOPHER LORENZ

Why Wedgwood went Japanese

Christopher Lorenz on the pottery company's success with quality circles and others' failures

THE dapper young Japanese executive from Toyota Auto Body flashed yet another view-graph onto the screen. This one was a sort of flowchart with a legend at the top suggesting his company's employees are motivated by:

"Pleasure of working.
Pleasure of thinking, and
Pleasure of results."

At first sight, he could hardly have chosen a less suitable locale in which to let loose this expression of the Japanese work ethic. At Wedgwood's main pottery factory on the edge of grimy Stoke-on-Trent he was in the very heartland of Britain's early Industrial Revolution, the excesses of which have left such a painful and long-lasting legacy of strained relations between management and labour. Many British shopfloor workers would still maintain that the only "pleasure" generated by their "working and results" is that experienced by their taskmasters—the management and the shareholders.

Far from being howled down or ignored, however, he was listened to in respectful silence by his audience, a group of Wedgwood employees.

They were not only playing the polite and attentive host to him and a dozen other visiting Japanese engineers. In their own way, they accepted what he was saying: replace his word "pleasure" with "reward" or "security," and you have part of the explanation why, with the threat and example of redundancy and short-time banging over their heads for the past two years, Wedgwood's labour force is taking to a Japanese motivational concept faster than almost any other company in Britain.

Until recently, Wedgwood itself suffered from the all-too-common "Them and Us" pattern of British labour relations, admits Dick Fletcher, who has been a senior executive with the company since 1970, when it took over the pottery enterprise of which he was managing director. The strains were not as bad as in the motor industry; one would hardly expect them to be in only a medium-sized company, and one where many of the employees are craftspeople who take a great pride in the quality of their work. But all the same, managers felt remote from the shop floor, and vice versa.

"Now, there is much more fellow-feeling," claims Fletcher. Not only does job satisfaction seem to be improving, but also performance; the two are by no means always linked, whatever the "human relations" school may say.

Part of the improvement in individual performance may have been stimulated by the Damocles sword still banging over the head of Wedgwood's employees: recession and competition have slashed their number by a third over the past three years to 6,500, and the company is still suffering in the marketplace.

But the introduction of "quality circles" has also definitely played a role, as everyone, from the chairman, Sir Arthur Bryan, to sliphouse labourer John McNaughton, will tell you if you give them half a chance.

Dialogue

These are voluntary groups of eight or ten close colleagues—"natural work groups," in other words—who are given special training in the techniques of identifying, analysing and solving problems. It is this training, plus the fact that the members are led, not by a middle manager but by one of their peers or their supervisor/foreman, which sets quality circles apart from all the project groups and other forms of joint management - shopfloor groups which have been used by companies for years—often to little effect.

As Dick Fletcher says of Wedgwood's own experience, "This is the first time that operatives have been able to put forward views that are not just ideas, but facts." At Wedgwood and elsewhere, shopfloor workers are at last becoming able to hold a dialogue with management as technical equals over the detail of factory layout, production systems, tool design, and so forth.

Some of the 116 circles that have been formed at Wedgwood over the last 15 months have created remarkable cost savings for the hard-pressed company: one has produced an annual £100,000 by improving the efficiency of mould-making, while another has saved £300,000 a year by cleaning-up the "slip" (liquid clay).

Other achievements are more modest. But they all add up to substantial extra efficiency, not to speak of the much better atmosphere between shopfloor and management—top management, anyway. As in the many other European and U.S. companies which have rushed to install quality circles over the past two years, some middle managers have been understandably reluctant to see their authority "usurped," as they see it.

Such resistance will be stiffened by the tendency of many companies to see quality circles as a cure-all for either their quality problems or the shortcomings of their motivational policies (or both). The tendency to jump on the quality circle bandwagon just as a gimmick, or without sufficient thought, is already showing signs of getting circles a bad name in some quarters (perhaps spheres is a more apt word).

As the "facilitator" in charge of promoting and co-ordinating Wedgwood's quality circle programme, 59-year-old Dick Fletcher has expended considerable effort, drawing on his lifetime of experience in the pottery industry, on ensuring that people "keep rigidly to the Japanese rules," as he puts it.

These provide for a formalised process of analysing problems, solving them on paper and then following-up with action. Throughout the whole exercise, in a manner which is controlled carefully by the circle leader and the individual management "facilitators," circles use brainstorming techniques, scatter diagrams, pareto charts and the like, and end up making a presentation to senior management on their results.

All this presents little problem in Japan, where the average level of employees' education is so much higher than in Britain, but it requires considerable training in companies like Wedgwood, where some circle members can do little better than sign their name.

Without this sort of discipline, Wedgwood's weekly, one-hour circle meetings (which are held in company time, though members often decide to take individual work home with them), could all too easily degenerate into a "general discussion around the table," says Fletcher.

For the sceptics in any company to be won over to the support of the concept of quality circles, one must of course be able to demonstrate results, in the form of practical improvements in the workplace which make the individual's work easier, more pleasant and/or more productive.

With the quality circle movement only a couple of years old in Europe—and to a large degree in the U.S.—and with senior management's enthusiasm still fresh, there are not yet many reports of circle proposals falling foul of management apathy, at least at the top. But, if past management fashions are anything to go by, it is bound to start happening soon, causing a build-up of frustration on the shop floor.

One of the tensest stages of Wedgwood's quality circles programme came just before Christmas, when Dick Fletcher picked up mutterings on the shopfloor that management was taking too long to do anything about some of the circles' proposals.

Realising that "one of the killers is slow management response," Fletcher went to his boss, the group production director, who rapidly instigated a priority system for dealing with circles' projects.

Suggestion

The Japanese who visited Stoke last week were certainly impressed with the speed with which action has been taken on the circles' proposals. But, in one sense—the sensitive one of financial reward — Wedgwood has deviated slightly from the Japanese quality circle model.

Like most Japanese companies, and many in Europe and the U.S., it has made no connection between its existing individual suggestion scheme and the solutions put forward by circles. But where the implementation of solutions increases the output of employees on piecework, it has allowed them to have the benefit.

Thus the sliphouse men who developed a new way of cutting down the number of black specks in the slip, saving the company £300,000 a year, drew no direct financial benefit. On the other hand, the 40 members of the holloware casting department are now enjoying a 25 per cent increase in pay thanks to a new design of workbench which was done by the eight-person circle, and which raised output by a quarter by allowing new working practices to be introduced. (Holloware is a general term for jugs, pots and so forth, as opposed to relatively flat items such as plates, dishes and cups.)

Dick Fletcher is emphatic that such cases of direct financial gain are the exception. "Monetary reward is not the be-all and end-all. What people really want to do is help."

Fletcher is also rather the exception in saying that he expects the quality circle concept to be applicable in only limited fashion to white collar workers, since few of them fulfil the qualification of doing similar work. Various administrative sections, such as sales staff, planners and even accountants, are now coming into the circle programme, but he says they will account for a disproportionately small percentage of the 2,000 or so Wedgwood employees who are expected to be circle members by this time next year.

Such a total would represent a doubling of the number of circles in 12 months, an increase which many experts consider too rapid.

There must also be some danger that, in some areas of management, though certainly not in Fletcher's, Wedgwood's enthusiasm for quality circles may drag it into the trap of using them as a cure-all. Suggestions that the company's quality control department plans to use circles "as a front line on things," to quote one executive, suggest this may be beginning to happen as far as quality itself is concerned.

As for the motivational attractions of the circle concept, so long as Wedgwood's top management does not extend its encouragement of employee consultation and participation across a much wider front than circles, it runs the risk of leaving them stranded in splendid isolation, and of thereby raising expectation on all sides to unrealistic and frustrated heights. If this happens, circles will slip off the "tightrope" on which Dick Fletcher rightly says they always have to balance.

A series of Financial Times articles on product quality and quality circles is available in booklet form under the title "Learning from the Japanese." From Publicity Department, Price £2 incl P &P. Payment to be enclosed with order.

Learning from each other: Japanese quality circle experts on last week's visit to Wedgwood

The dangers of pseudo circles

DAVID HUTCHINS, the consultant who introduced quality circles into Wedgwood, is sceptical about some of the other companies that claim to have launched a circles programme. "Many are fictional," he believes, some of them just being joint management/labour market teams masquerading under the more fashionable "quality circle" label.

But he and one of Britain's other leading quality circle consultants, Mike Robson of PA International, agree that upwards of 200 UK companies do now have circles worthy of the name. This is more than double the number of a year ago, but even this steep rate of take-off is less dramatic than in the United States, where the number is thought to have increased eight-fold to over 2,000 companies in just 18 months. The Americans are, after all, past masters at latching onto new management fashions. Both the U.S. and Britain are moving faster than continental Europe, though a growing number of French, German and Scandinavian companies, in particular, have begun to introduce quality circles.

Even where circles are what one might call legitimate, both Hutchins and Robson accept some of the widespread criticism that the "bandwagon" effect has provoked. They are emphatic that the failure rate of circles is likely to be high when they are introduced in isolation and not as part of broader policies on quality and motivation.

At a major international conference he organised in London late last week under the tantalising title "If Japan Can . . . So Can We," Hutchins echoed again and again what one of the Japanese visitors had emphasised at Wedgwood: that quality circles are best set in the context of an overall system of "total quality control."

Fundamental to such a sytem, said Hutchins, is the concept that everyone in the company, not just the quality manager, is responsible for the quality of the manufacturing process and the product. This does not mean that management should abdicate the control of quality to circles; rather, their work should form part of a company-wide quality control system at all levels of management, office staff and shop-floor.

Equally, PA's Mike Robson says the circles should form part of an overall management philosophy based on the principle that the most effective way of motivating employees is to encourage them to use their intrinsic creative abilities, rather than to cajole them into a better performance through external stimulae (either penalties or financial incentives). This is the famous "Theory Y" of "intrinsic" motivation made famous 30 years ago by an American academic, Douglas McGregor.

On both quality and motivational grounds, in other words, quality circles should be slotted into an overall framework. Not only that, says Robson, but they should operate alongside, rather than instead of, other forms of employee organisation and communication. "They don't threaten or replace unions, consultative committees, briefing groups, job enrichment, or quality of working life programmes," he says. "They complement them."

Wedgwood's Dick Fletcher, who is in the process of setting up a national society of quality circles with an initial membership of 120 companies, is particularly scathing about what he calls "bastardised" circles.

Just as training is crucial to the success of circles, he says, so is the formalised nature of their work. But so, too, is the voluntary nature of their membership and the projects they select. The "natural work group" concept is also key, he emphasises. "Where companies fail is when they don't abide by the rules. Taking short cuts is fatal."

THE WEEK IN THE COURTS

Single, tripartite arbitration

WHENEVER there are disputes under two related contracts, both of which provide that such disputes should be determined by arbitration, it is highly desirable that there should be a single, tripartite arbitration conducted before a single arbitrator.

The general view among arbitrators and others in commercial practice is, however, that any agreement devised to secure tripartite arbitration can be successful only if the third party to the first arbitration expressly consents to being joined in the arbitration. The Court of Appeal last week* firmly indicated its preference for the avoidance of the multiplicity of arbitrations, and exercised its own powers over arbitrators to order a single, tripartite arbitration in the face of pronounced opposition.

The common situation is the dispute that arises out of a building contract. A contractor engages sub-contractors nominated by the main contractor's employer. Things go wrong in the course of the building operations, so that either the completion of the building is seriously delayed or defects in the building works appear after the building has become occupied by the employer. The employer blames the main contractors; the latter turns round and blames one or more of the sub-contractors.

Ever since 1971 the RIBA Standard Form of Building Contract has contained an arbitration clause which provides that if there is any dispute between contractor and sub-contractor which is substantially the same as a matter in dispute between the contrartor and the employer, such dispute shall be referred to an arbitrator appointed or to be appointed under the main contract. The knotty question is what happens, if, by the time the sub-contractor agrees to arbitrate with his contractor, the arbitrator has not been appointed? Should the courts stop the arbitrator under the sub-contract continuing to arbitrate if the main contractor comes on the scene?

There has been a tendency in the past to allow the separate arbitrations go their own separate ways, and not to give overriding priority to the need for avoiding multiplicity of proceedings. The view taken is that the provision for joining of a third party to an arbitration, involving substantially similar issues, is merely to facilitate the resolution of the parties' disputes and not to cut down the individual party's right to bipartite arbitration under his own agreement.

A second fact is that a sub-contractor might feel at a disadvantage if the arbitrator in the main arbitration found for the main contractor, who would undoubtedly be favoured in his dispute with a sub-contractor.

The Eastern Bechtel case in the Court of Appeal found the ready solution to the doubts about the wisdom of tripartite arbitrating. The case involved contracts made in 1973 for the erection of huge tanks for producing liquefied gas from oil in Abu Dhabi in the United Arab Emirates. The main contractor's contract for the whole work, and the site erection sub-contract, both provided for arbitration in England and were governed by English law.

Cracks appeared in one of the tanks which had to be repaired at enormous cost. On the cost of repairs running into many millions of pounds the employers claimed against the main contractors who claimed in turn against the sub-contractors. The main issue in dispute that was common to all three parties was, what was the cause of the cracks in the tanks? The question before the courts was whether there should be one arbitrator for the two arbitrations, or separate arbitrators.

Mr Justice Bingham had decided that there should be separate arbitrations, because unless there was agreement between all the parties, one party might feel that an adverse decision by the arbitrator in the first arbitration might affect his position in the second arbitration. While the judge had acknowledged the undesirable consequences of inconsistent findings by two on the same issue by two different arbitrators, he thought he could not force the parties into a tripartite arbitration without their consent.

The Court of Appeal thought differently. It held that there were ample powers in the court to appoint the same arbitrator for both arbitrations. At an early stage the single arbitrator would have a pre-trial hearing at which he would segregate the various issues and assign them to the first and subsequent arbitrations. The issues in the main arbitration would then first be resolved. Where there were separate points they would be dealt with separately, but some issues would effectively be resolved to cover the two arbitrations.

The court was impressed with the argument that there were great advantages, in terms of time and money, if there were a single arbitrator and a tripartite arbitration. No doubt a single arbitrator would be influenced in the second arbitration by what had passed in the first. The risk of that occurring was at least minimal if the single arbitrator was judicially qualified and of high calibre. In the Eastern Bechtel case the arbitrator chosen in the main contract was Sir John Megaw, a former distinguished Lord Justice of Appeal. If difficulties arose, the single arbitrator could always come to the court and seek to be relieved from conducting the second arbitration. And if he clung on to his remit, any party which felt that it was being prejudiced could likewise seek the court's assistance.

Arbitrations are being encouraged by the law, as against litigation in the courts. Arbitral awards, moreover, are now not to be set aside unless the arbitrator has clearly applied the wrong legal test, or has reached an utterly unreasonable decision on the facts. But on the question of the correct procedure to be adopted in the appointment of arbitrators, and on the conduct of arbitrations, the courts are still keen to retain their overall supervision.

**Abu Dhabi Gas Liquefaction Company Ltd v. Eastern Bechtel Corporation and another: Eastern Bechtel Corporation and another v. Ishikawajima Harima Heavy Industries Ltd.* Times Law Report, June 24 1982.

Justinian

RACING

BY DOMINIC WIGAN

FOLLOWING Assert's phenomenal display at the Curragh on Saturday where he gave owner Robert Sangster an unprecedented hat-trick of the three major European Derbys provisional plans have been made for both that colt and Golden Fleece.

It now seems clear Sangster is hopeful that Golden Fleece can be switched to the Benson and Hedges Gold Cup at York before sealing what has been already a remarkable season for the unbeaten colt in the Arc, leaving Assert to beat his elders in the King George before running in the St Leger.

Primula Boy sprang a welcome surprise for his trainer, Walter Bentley, when defying 9 st 7 lb in last year's Home Ales Gold Tankard, but there seems little likelihood of his repeating the feat in today's running of the Nottingham brewery prize. Since that Home Ales victory Primula Boy's fortunes have plummeled and it is a sad reflection on the veteran's decline that he failed to be placed in six appearances this season.

Down the field last time out at the end of Royal Ascot's Wokingham Stakes after showing speed in the first half of the race, Bentley's Sallus gelding appears to have virtually no chance of upsetting the second in that event, Camisite.

Camisite, the length conqueror of *Kathred* in Newmarket's Bretby Handicap on his seasonal debut, went on to land another valuable handicap at Doncaster before his Ascot run by giving Amorous 12 lb and a two-length beating in the Priery Place Handicap. The 1½ lengths runner-up to Battle Hymn, to whom he was trying to concede 12 lbs, in the 24-runner Wokingham, Camisite should win again provided that he can again beat Gambler's Dream.

It was a memorable afternoon for the young Newmarket trainer Bill O'Gorman on the corresponding day a year ago, with Swynfords Passion's 25-1 Nottingham success being followed by a 16-1 victory for Tamdown Flyer at Windsor. It is quite possible that O'Gorman will again have plenty to celebrate at the close of racing today.

In addition to saddling Camisite at Nottingham, he has On Stage among the runners for Windsor's Pall Mall Stakes. Judged on his initial effort at Redcar, this bay colt by Comedy Star out of Last Case should have few problems. At today's Hamilton meeting, Feeling Great should be chased home by Thirtle in the Scottish Rifles Maiden Stakes.

NOTTINGHAM
2.30—Saxon Farm
4.00—Camisite

HAMILTON
2.15—Simmie's Love
3.15—Torsion Prince
4.45—Feeling Great**
5.15—Fascadale

WINDSOR
6.45—Mysotis
8.05—On Stage***
8.35—*Tender Trader*
9.05—Bold Print*

TELEVISION

Tonight's Choice

The highlight for me tonight is **The Boy Friend** (BBC-2 at 7.35). The parts—Ken Russell's direction; Twiggy's screen debut; Sandy Wilson's songs; Busby Berkeley dance parodies—may be better than the sum, and the innocence of the original is quite lost, but the camp charm which peeped through on its release in 1971 might be rampant by now.

In contrast **World of Action** (times depend on the World Cup transmission from Spain) investigates why Nissan's planned mammoth investment in the UK has not materialised. Are British car manufacturers putting pressure on the Government to halt the development? A veil of secrecy may be lifted, there is talk of access to confidential documents.

The schedules are all over the place this week because of the World Cup, but ITV is plugging any gaps with its "Best Of British" repeats. Tonight Paula Wilcox and the late Richard Beckinsale are once again **The Lovers**. BBC-2 stays on the football sidelines and concludes its search for the **Museum of the Year**. It is no secret that the winner is Stoke-on-Trent.

ANTONY THORNCROFT

BBC 1

10.55 am Cricket: Second Test. England v India from Old Trafford. 1.05 News After Noon. 1.35 Pigeon Street. 1.50 Wimbledon Lawn Tennis Championships. Ladies' singles quarter-finals. 3.38 Regional News for England (except London). 3.40 Play School. 4.05 Wimbledon (further coverage).
5.40 News.
6.00 Regional News Magazines.
6.17 Nationwide.
6.35 Wimbledon: Highlights and results of to-day's play.
7.10 Triangle.
7.35 World Cup Grandstand from Barcelona.
9.55 News.
10.20 The Monday Film: "Firepower" starring Sophia Loren and James Coburn.

If the evening World Cup match from Barcelona is dropped in favour of the afternoon match from Madrid, programmes will be subject to alternation.

BBC 2

10.30-10.55 am Play School.
1.35 pm Cricket and Wimbledon.
5.05 Newsround.
5.10 Blue Peter.
5.35 Cricket and Wimbledon.
7.30 News Summary.
7.35 "The Boy Friend"
9.45 Museum of the Year.
10.10 Wimbledon highlights.
10.55 Newsnight.
11.40 Cricket: Second Test highlights.

LONDON

9.30 am Schools Programmes. 12.00 Cockleshell Bay. 12.10 pm Rainbow. 12.30 Supersavers. 1.00 News with Peter Sissons, plus FT Index. 1.20 Thames News with Robin Houston. 1.30 "Jumbo" starring Doris Day, Stephen Boyd and Jimmy Durante. 3.45 World Cup '82.
6.15 News.
6.30 Thames News with Andrew Gardner and Rita Carter.
7.00 Coronation Street.
7.30 "Gold" starring Roger Moore and Susannah York.
9.30 Best of British: "The Lovers."
10.00 News.
10.30 World In Action.
11.00 World Cup '82 Highlights.
11.40 Barney Miller.
12.10 am Close: Sit Up and Listen with Tim Beaumont.

Because of World Cup coverage, programmes will be subject to alteration

† Indicates programme in black and white

All IBA Regions as London except at the following times:

ANGLIA
1.20 pm Anglia News. 6.30 About Anglia. 11.40 Preview 12.10 am Four into One.

BORDER
1.20 pm Border News. 6.30 Lookaround Monday. 6.45 Farmer's World. 11.40 Border News Summary.

CENTRAL
1.20 pm Central News. 6.30 Central News. 11.40 Central News. 11.45 Barney Miller. 12.15 am Come Close presented by Stewart White.

CHANNEL
1.20 pm Channel Lunchtime News, Whats on, where and weather. 6.30 Channel Report. 10.28 Channel Late News. 11.40 Aujourd 'hui en France. 11.45 The Incredible Hulk. 12.35 News and weather in French.

GRAMPIAN
9.25 am First Thing. 1.20 pm North News. 6.30 North Tonight. 11.40 Top Rank Fight's of the 70's — (Ali v. Norton). 12.40 am North Headlines.

GRANADA
1.20 pm Granada Reports. 6.30 Granada Reports. 11.40 Danger UXB.

HTV
1.20 pm HTV News. 6.30 HTV News. 10.28 HTV News. 11.40 Video Sounds.
HTV Cymru/Wales. As HTV West except: 12.00-12.10 pm Dacw Mam Yn Dwad. 6.30 Y Dydd. 6.45-7.00 Report Wales.

SCOTTISH
1.20 pm Scottish News. 6.30 Scotland Today and Crimedesk. 11.40 Late Call. 11.45 Nero Wolfe.

TSW
12.27 pm Gus Honeybun's Magic Birthdays. 1.20 pm TSW News Headlines. 6.30 Today South West. 10.32 TSW Late News and Weather. 11.40 pm Postscript. 11.45 The Incredible Hulk. 12.35 am South West Weather and Shipping Forecast.

TVS
1.20 pm TVS News. 1.30 "Devil at Four o'Clock," starring Spencer Tracy and Frank Sinatra. 6.30 Coast to Coast. 7.30 "Deadfall," starring Michael Caine and Eric Portman. 11.40 Mannix. 12.35 am Company.

TYNE TEES
9.20 am The Good Word. 9.25 North East News. 1.20 pm North East News and Lookaround. 6.30 Northern Life. 10.30 North East News. 11.40 Old Man's Story. 12.00 Yes to God.

ULSTER
1.20 pm Lunchtime. 3.43 Ulster News. 6.30 Good Evening Ulster. 10.29 Ulster Weather. 11.40 News at Bedtime.

YORKSHIRE
1.20 pm Calendar News. 6.30 Calendar (Emley Moor and Belmont editions). 11.40 Late Night Drama.

RADIO

RADIO 1

(S) Stereo broadcast (when broadcast on VHF)

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates on the Radio 1 Roadshow. 11.30 Dave Lee Travis. 2.00 pm Paul Burnett. 4.30 Peter Powell. 7.00 Stayin' Alive with Andy Peebles. 8.00 David Jensen. 10.00-12.00 John Peel (S).
VHF Radios 1 and 2 — 5.00 am With Radio 2. 2.00 pm Ed Stewart plus Forces Favourites (S). 4.00 Colin Berry (S). 5.45 News, Sport. 6.00 John Dunn (S). 7.00 With Radio 2. 10.00 With Radio 1. 12.00-5.00 am With Radio 2.

RADIO 2

5.00 am Ray Moore (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 Gloria Hunniford (S). 2.00 Wimbledon 82. 7.00 John Dunn (S) (continued from VHF). 8.00 Folk on 2 (S). 9.00 Humphrey Lyttleton with The Best of Jazz (S). 9.50 Sports Desk. 10.00 Funny You Should Ask. 10.30 Star Sound with Nick Jackson. 11.00 Brian Matthew with Round Midnight (stereo from midnight). 1.00 am Encore (S). 2.00-5.00 You and the *Night and the Music* (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (continued). 9.00 News. 9.05 This Week's Composer: Delius (S). 10.00 BBC Scottish Symphony Orchestra (S). 10.55 Delme String Quartet (S). 11.35 Debussy piano recital (S). 12.00 Mozart concert (Austrian Radio recording from the Salzburg Mozart week) (S). 1.00 pm News. 1.05 BBC Lunchtime Concert (S). 2.00 Matinee Musicale (S). 3.00 New Records (S). 4.55 News. 5.00 Mainly for Pleasure (S). 6.25 French Organ Music (S). 7.00 The Ultimate Astonisher (S). 7.45 "Il Mondo Della Luna" comic opera in three acts by *Haydn*, Act 1 (S) sung in Italian). 8.55 Six from South Kensington by Colin McLaren (S). 9.00 "Il Mondo Della Luna," Acts 2 and 3 (S). 10.45 Jazz in Britain featuring the Don Rendell Quartet (S). 11.15-11.18 News.
Medium Wave as VHF except: 10.55 am-6.25 pm Cricket: Second Test—England v. India.

RADIO 4

6.00 am News Briefing. 6.10 Farming Week. 6.25 Shipping Forecast. 6.30 Today. 8.35 The Week on 4. 8.43 John Ebdon with recordings from the BBC Sound Archives. 8.57 Weather; travel. 9.00 News. 9.05 Start the Week with Richard Baker (S). 10.00 News. 10.02 Money Box. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.03 Down Your Way visits Ullapool, Scotland. 11.48 Poetry Please. 12.00 News. 12.02 pm You and Yours. 12.27 The Day Job. 12.55 Weather, travel, programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre (S). 4.30 Motives of History. 4.40 Story Time. 5.00 PM News Magazine. 5.50 Shipping Forecast. 5.55 Weather; programme news. 6.00 News, including Financial Report. 6.30 The News Quiz (S). 7.00 News. 7.05 The Archers. 7.20 Start the Week with Richard Baker (S). 8.00 The Monday Play (S). 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Science Now. 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

THE ARTS

Rolling Stones

Antony Thorncroft

Although the tag embarrasses them, any doubts that the Rolling Stones were "the greatest rock and roll band in the world" were dispelled at Wembley Stadium this weekend. No one else could have transformed that grey, gaunt and gloomy mausoleum into a nice place for a reunion party.

The money helped. While Simon and Garfunkel a week earlier seemed like lurking figures in the distance the Stones came out into the audience. The stage was projected outwards, with long cat-walks enabling Jagger, and the rest, to race into the crowd. A backdrop of garish Stones images—fast cars and guitars—set the right good time mood. Suspended above the act was an arch of balloons, and, most effective of all, a giant screen relayed close up of the action to the far reaches of the stadium.

And I suppose money buys the Stones' exuberance, or rather Mick Jagger's mesmeric control over the two hour plus show. Dressed like a Florentine punk of around 1460 in red and white striped hose he flaunts his 39 years like a naughty version of Cliff Richard. Abetted by Ron Wood he scampers around the stage like a hyperactive toddler, throwing water over the crowd, doing press ups and kick jumps, bullying the other Stones into action and only disappearing for a change of costume into a bikini top or a woolly sweater. You realise at the end that you hardly notice his voice, only that the whirlwind is over.

Musically the Stones still deliver. Helped by the radio mikes which give them mobility Keith Richards and Ron Wood never attempt anything ambitions on their guitars; Bill Wyman and Charlie Watts are as rock solid as ever on the rhythms; and the keyboards and, in particular, the saxophone of Bobby Keys round out the rather rough Stones sound and give it that distinctive sensuous feel.

I found their current liking for routine early rock'n'roll songs like "Chantilly Lace" irritating but when for the finale they switch on to "Tumbling Dice" and a string of the best rock songs ever it all comes good. At the end Jagger wraps himself in a Union Jack, a good symbol of this country's most effective contribution to the rest of the world in the last generation, and at the very end gives "Satisfaction." The Rolling Stones may have moved on from being musicians to entertainers, with rock as their act rather than the most important thing in the world, but at any level this is one of the best experiences that money can buy.

Sutton Place — for love or money

Sutton Place, near Guildford in Surrey, is one of the two most important English houses of the 1520s. With Hampton Court and Layer Marney it is one of the few places where there is extant, high quality Renaissance terracotta decoration. On the entrance front there is a central panel of naked amorini that would be remarkable to see in Italy and is amazing to see in Surrey.

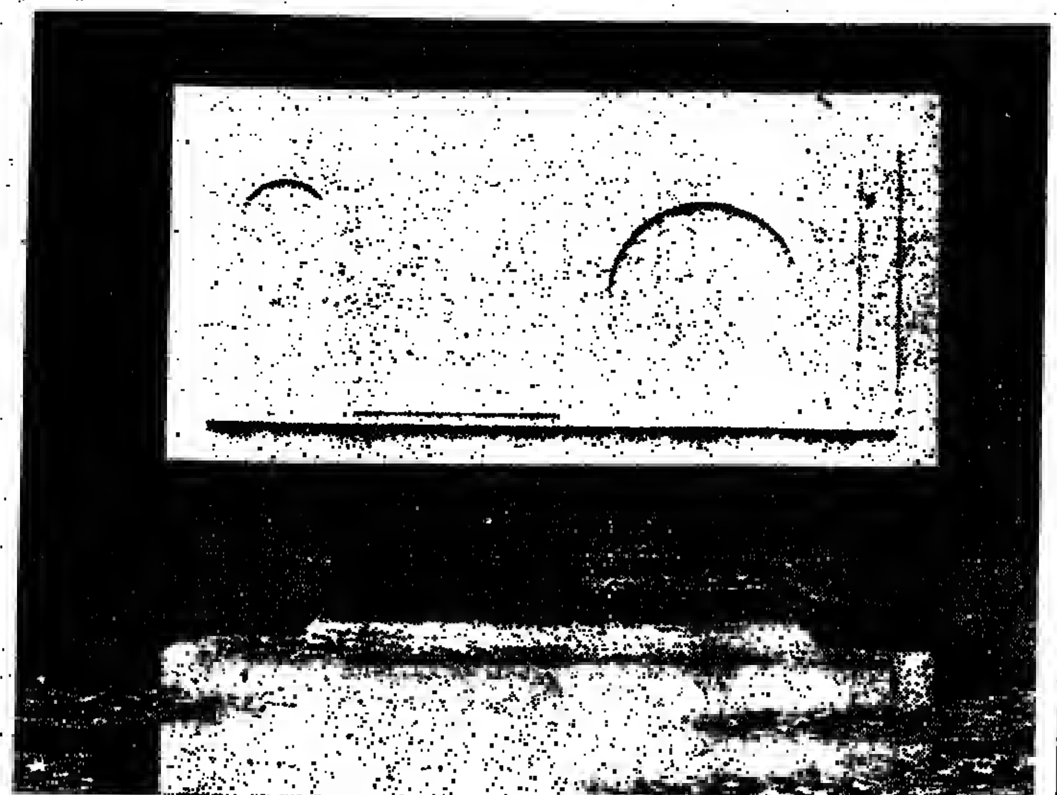
In recent years the house has been best known as the home of that rather retiring Croesus, the late Mr Paul Getty. After his death it was bought by an equally shy and almost as rich American, Mr Stanley J. Seeger of Texas. The house and the estate have become part of the assets of his Anglo-Texan companies and although he had a lease on the house Mr. Seeger decided to live on his yacht and handed over the lease to the Sutton Place Heritage Trust. This is a new and rather interesting way of maintaining a house—it appears to offer the best of all possible worlds. The house remains essentially private but is open for specific exhibitions and events during the year by appointment. The Heritage Trust has been so handsomely endowed that Sutton Place is now staffed and run with a very un-English degree of high comfort and international luxe. As at Glyndebourne dressing up for the evening events will be encouraged.

Despite the very peculiar atmosphere that now reigns in the house the real reason to visit Sutton Place will be the quite extraordinary garden. Before departing for warmer climes, Stanley J. Seeger commissioned Sir Geoffrey Jellicoe to design the largest garden and landscaping scheme to have been undertaken in Britain this century.

The first exhibition at Sutton Place is devoted to the garden designs and Sir Geoffrey Jellicoe's fine drawings are all on display. It is an extraordinary opportunity to see the ideas on paper and then to walk outside and see them being put into practice. Not since the days of Repton has so much earth moving, lake making, folly building and water working been seen in Surrey. The scale of the undertaking is hard to grasp at first—half a mile of lake is only part of it. Sir Geoffrey's ideas behind his garden are part of his whole life's thinking about the landscape and the need to discover and create, what he calls, "the landscape of humanism." Like the Italian gardens created during the Mannerist period Jellicoe uses nature to express the forces that are waiting to be unleashed below the veneer of civilisation. A huge cascade has yet to be made but when it is completed it will pour over a dark and sinister grotto.

Architecture

Colin Amery



The Ben Nicholson sculptural wall, the artist's last commission, and his only large scale work, clad in carrara marble

The long vista and the surreal presence of the giant urns from Mentmore do not prepare the visitor for the surprise of the giant marble clad wall by Ben Nicholson calmly dominating a new enclosed, dark pool. This is Nicholson's last work and the only one he made on a giant scale. It has great peace and serenity. The presence of floodlighting throughout the garden seems an unnatural element and very much at odds with the idea of serenity and natural order the Nicholson conveys. On the east side of the house is a new walled garden that is alive with the sound of trickling water. Arbours of honeysuckle, jasmine, and clematis will shield watery bird baths among the winding paths.

One of the aims of the newly-established Sutton Place Heritage Trust is "to preserve the atmosphere and character of an English country house." It was plain to me after one visit that this aim cannot claim to have been fulfilled. The atmosphere is heavy with central heating. There are acres of new white paint and plaster, and wherever you look everything is new. There is no atmosphere at all unless you particularly admire the view that money and comfort create atmosphere.

The great hall, now dominated by a Francis Bacon triptych, has white painted window mullions, white walls and white shag pile rugs. Copies of *Country Life* lie on ethnic drums and there is the statutory quota of leather jugs on the refectory table. Diagonal striped corduroy covers the shapeless sofas and pots of bamboo stand about as though this was the foyer of an office building. The architects Sir Hugh Casson, Conder and Partners, claim that they have nothing to do with the redecoration of the interior. If that is the case they must have stood idly by while one of the great houses of England had its interior vanquished at the hands of a group of clients with more money than imagination.

The coy little brochure advertising Sutton Place arrives tied up with a claret coloured ribbon. Inside it explains why only 30 people can be allowed in at a time for £4 a head—"because houses are very special and need knowledgeable guidance." It is a tragedy that the knowledge of country houses was not available before this travesty of an interior was created. You must go to Sutton Place—but only for the garden. Sutton Place is near Guildford, visitors must book, telephone Guildford 504455.

Artists and Admirers/Riverside

Michael Coveney

The British theatre is slowly catching up with the founder of modern Russian drama, Alexander Ostrovsky. Following the triumphant RSC revival of *The Forest*, the Riverside Studios present as their first home-grown show for two years Ostrovsky's richly panoramic comedy that was premiered, late in the playwright's life, at the Maly Theatre in 1882.

It may be axiomatic to say that Chekhov learned a lot from Ostrovsky, but this play certainly justifies the cliché. The central love story of the penniless, idealistic tutor and an ambitious provincial actress was certainly echoed in *The Cherry Orchard* 22 years later. But there is a more brusquely satirical purpose about the way Ostrovsky assembles a large selection of characters in order to destroy them out of their own mouths, a more pervasively robust sense of humour and far less heart.

Negina the actress is the toast of a small town, and various worthies troop on to seek her favours on the eve of her benefit performance. There is a pathetic, sentimentalist, Narokov (Clyde Pollitt); a suavely ridiculous Prince (Denis Holmes); and a materialistic realist, Ivan (David Belcher). All are subjected to the jocular criticism of the withering ironist, Grigory (Tony Rohr), and the thumping disapproval of the Trofimov-like tutor, Melusov (Nick Dunning).

Negina herself is buffeted around by the ludicrous menfolk and regularly reminded of her impoverished status by her garrulous mother (Carmel McSharry). The text—here translated by Hanif Kureishi and the circumstances of the benefit and the haggling among the suitors for favourable conditions, the director, David Levaux—offers fascinating, glancing insight into a theatre world Ostrovsky was quietly but respectfully burying: not only in the tions of patronage, but also in the figure of a drunk old tragedian (Graham Lines) who flirts with red-nosed grandiloquence through the action.

The boy Negina loves is up in the gallery, but she waves goodbye to him by boarding the train to Moscow with a gent from the front stalls. Michael Wada plays the scene superbly, as she does an earlier one in which she shares with her mother a couple of heart-wrenching love letters.

But the production is a distinctly second-eleven affair, badly staged in the manner of Peter Gill but without any of that director's casting flair and emotional resonance. I really do think that the Riverside school of theatre spawned during Gill's tenure of the building should find its own way of doing things, not set out to emulate or, as in this case, tip the cap to a revered mentor. This piece requires a much stronger colouring than it receives. But the play was well worth doing and remains, despite the production's shortcoming, well worth seeing.

A Midsummer Night's Dream

Rosalind Carne

This is the month of the *Dream*, and, judging from my colleagues' responses, all three major productions stumble over the same problem. Every amateur knows the difficulty—how do you deal with fairies? Shakespeare's era was happily free of the childish connotations created by the Romantic movement, so it is surely more than directorial whim to opt for a Victorian setting.

Both Ron Daniels, for the Royal Shakespeare Company, and Peter Dews at the Theatre Royal, Plymouth, have fashioned their dreams around the age of materialism. In this case the supernatural strain is irrevocably diminished. Mr Dews is a visiting director and his mixed offering gives little sense of the future identity of this fledgling theatre company.

The drawings of Aubrey Beardsley become the inspiration for the spirits, but I had to glean this information from the programme notes. This is not to suggest that designer Sean Cavanagh has botched his work. The detail is fine, if highly coloured. But surely what one remembers about Beardsley is his flamboyance, his burlesque, that touch of bitterness. These palpably earthly sprites are an oddly muted crew, and Paul Greenwood and Prunella Gee make a prosaic royal couple.

The long speeches provoke occasional yawns; Oberon gives some sense to the lines, but there is neither magic nor music in his delivery. As a surprisingly youthful Theseus, he lacks any taste of ducal authority. A good Puck can rescue the most perilous divide between immortals and mortals, and Jim effort, though he too gets lost in the language. Findley makes a fleet-footed

Action commences in a wedding marquee which takes up most of the large playing area. This is most effective, but for the well-manicured lawn, cut off just short of the wings. The forest is realised through filtered lighting and lowering of firm sections, artfully secured to the billowing tent. It is an ingenious device, though somewhat tricksy for comfort, especially when accompanied by noisy cranking. However, this shades quite well into an original score by Shelley Adams and Dee Ashworth.

The first breathe of life comes from a splendidly robust Hermia (Stella Goodier). Busy, bustling, and mildly eccentric, she quite upstages Helena, and fulfils all her promise in the lovers quartet. Sturdy work from the men and imaginative blocking raise the usual laughs and their thwarted desires get broad, comic handling.

My warmest tribute is reserved for the mechanicals. Rodney Bewes lends unusual sensitivity and sweetness to his interpretation of Nick Bottom. He is, of course, a poseur, but with style and charm rather than vulgarity. There is a hint of West country, even a touch of Irish, about this successful tradesman in his natty tweeds and pork-pie hat. Good taste extends to his comrades. The Pyramus and Thisbe scenes are a hoot, with none of the lumbering buffoonery that so often taints Shakespearian low life. Most importantly, this treatment highlights the thematic links between Bottom's dream and the surrounding nocturnal imbroglio.

I do not often feel such extremes of interest and boredom in a single evening. This is hardly the triumph one would have liked to open this fine new building, but even the most unexceptional production can throw out a different approach to a familiar work. The adaptable ceiling has been lowered to form a well-proportioned 750 seat auditorium, with excellent acoustics.

Peter Pears winner

The winner of the Peter Pears Prize, a competition for singers at the eight leading colleges of music, is Anna Steiger, 22, a student at the Guildhall School. She receives £1,000, thanks to W. H. Smith, which sponsors the event. Miss Steiger is the daughter of the actress Claire Bloom.

Don Giovanni/Theatr Clwyd, Mold

Max Loppert

The latest distinguished practitioner of lyric theatre to come to grief over *Don Giovanni* is Michael Geliot, whose new production for Welsh National Opera opened last Thursday. The premiere was itself of a technical standard far from finished, and it may well be that simple improvements in stage management will inevitably make the production seem less massively inept. One also senses that beneath the acreage of bonebeaded boisterousness which is principally all Mr Geliot seems to understand in the work's generic label, *dramma giocoso*, there may be a decent conventional staging struggling to get out.

Mr Geliot has supplied a new English translation (and himself celebrates its virtues in a WNO programme booklet essay making large claims for achieving a new appreciation of Da Ponte's libretto). It matches his production nicely, in that in both words and action a handful of good tough correspondences are swamped by a larger general misconception of the opera's marvellous uniqueness of tone.

"A hefty slap on the back" might describe Mr Geliot's standpoint as regards words and action—lots of infelicities like "Your Loutship" and "second-hand virgin" in the diction, lots of cheerily social-comment-seeking bits of invention, such as the village louts who turn the Don's party into a beery booze-up, puzzling fruit, and tearing a banana skin for Don Ottavio to trip on in a way that affords Giovanni his Act 1 curtain exit. I've witnessed some desperate solutions to that perennially refractory problem before, but this wins all prizes for foolishness.

It would be tedious to compile here a complete catalogue —*cenlo* in the first finale, *nonentuna* in the second (where the Don goes to hell via a departure through his own dining table) — of all the jokey encrustations, the substitutions of "novelty" for hard thought and sharp-edged interpretation. Despite the prevalence of a peculiarly British kind of bum-smacking humour, this was easily the most sexless, unprovoking, and un-awesome Don *Giovanni* of my experience. It may be currently fashionable to downgrade the cosmic significances of the opera. But to scamp these aspects in their entirety is to have failed to see the work whole—and, *pace* Mr Geliot's programme note, that includes Da Ponte's contribution thereto.

On the first night the youthful cast seemed mostly unready for the massive task. Henry Newman, who disclosed such a distinctive voice and personality in the WNO *Puritani*, was here little more than a nice English baritone intermittently adrift in a great role—the line was seldom smooth, rhythm was uncertain, and despite the Charles I moustache and robes (designer Ralph Koltai has placed the work a century or so earlier than we usually see) this was a singularly uncommanding Don.

Jennifer Rhys-Williams' undisciplined Elvira showed flashes of vibrant promise, Doreen O'Neill's Zerlina an easy security if only a modicum of charm, and Rita Cullis's Anna some phrases of impressive security and sharp attack; Ottavio (Richard Morton) and the Commendatore (William Mackie) revealed on the other hand their vocal discomforts rather more than their prowess, leaving only the diminutive Leporello of Nicholas Folwell as the nearest thing all evening to a rounded, finished portrayal. The conductor, David Seaman, has established a quite stylish text, neatly embellished; now he needs to concentrate on phrasing it, pacing it, and compensating—rather more than he was able to last Thursday—for the vacuousness of the stage spectacle.

A Moore for 50p

Works by Henry Moore, Sir William Coldstream, Richard Hamilton, Patrick Procktor and over 60 more leading artists can be had for 50p—if you are a winner in a raffle organised by Camberwell School of Art Tickets are available for the raffle

Xenakis/St. Barts

Dominic Gill

I have long complained that the Franco-Greek composer Iannis Xenakis is known to British concert audiences only by a very incomplete and arbitrary selection of works which excludes the majority of his important compositions of the past decade. In the early 1970s the redoubtable Lina Lalandi and her English Bach Festival used to keep us abreast of most of Xenakis's latest work. But since lack of financial support forced Miss Lalandi to narrow her sights, that curious insular myopia which sometimes posses in England for "taste" has denied us performances anywhere else of the greater part of his subsequent orchestral and instrumental output: alone among the major nations of Europe, Britain has yet to hear, for example, *Eridanos* (1973), *Cendrées* (1973), *Erikhthon* (1974), *Empreintes* (1975), *Epei* (1976), *Jonchaies* (1977), *Ais* (1981) and *Nekuïa* (1981).

In the case of *Epei* (the only chamber work of that by no means exhaustive list) my stricture is now in the past tense: for it was the Park Lane Group's enterprising idea to include in their festival of 20th-century music at St. Bartholomew's Church an all-Xenakis programme last Friday, in honour of the composer's 60th birthday year, which offered four first British performances, as well as some more familiar works.

Epei is scored for five wind instruments with double-bass, and its sound-world could have have been conceived by no other composer: a merciless climate, brilliantly lit, of angry exchanges, tempered by sighs, rustles and murmurs, and arguments rippling with fierce signals, fierce currents. It is a dense and brilliant piece, only 13 minutes long but of epic stance, whose many layers only repeated hearings will uncover: inconceivable that it could have taken six years to reach us.

The performers were members of Spectrum, conducted where appropriate by Guy Protheroe—whose accurate but genteel beat did not succeed in coaxing at the start quite the right degree of pungency from *Anaktoria* for eight instruments, but who was roused by mid-evening to urge a worthy account of *Palimpsest* (scene-changes and alarm-bells for 11 instruments) and a sturdy finale of the better-known *Zorn* for piano and brass. A remarkable performance of the recent *Dikhthas* for violin and piano (1980), given by Irvine Arditti and Geoffrey Douglas Madge, distilled the Xenakis essence, bright as a laserbeam —as did three members of Arditti's Quartet also in *Ikhoor* for string trio. It is very bad luck indeed that this newly-revived St Barts festival should coincide exactly with a train strike: but each event so far has been worth every minute of the walk, and the walk.

Elsdon, Fairweather in tribute to Louis Armstrong

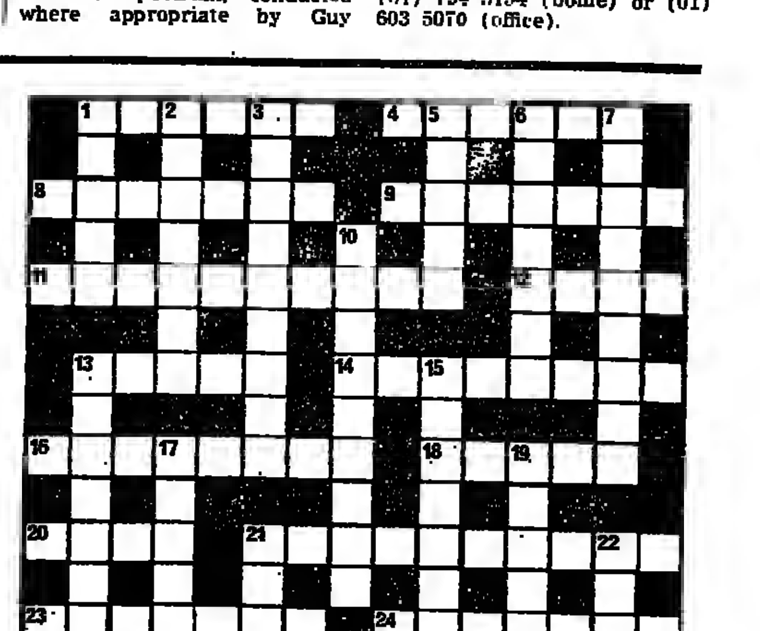
Trumpeter Alex Welsh has been taken ill and will not be able to take part in this year's Louis Armstrong Anniversary Concert in the Queen Elizabeth Hall, London on Sunday July 4. However, the Alex Welsh Band will appear with ex-members trombonist Roy Williams and saxist Johnny Barnes making it the "Grand Re-union Band."

In place of Welsh on trumpet will be two players, both of whom have had long associations with the band, Alan Elsdon and Digby Fairweather.

The band for the evening will be completed by Roy Crimmins (trombone), Al Goy (saxes and clarinets), Fred Hunt (piano) Jim Douglas (guitar) Pete Skivington (bass) and Laurie Chescoe (drums).

Further details from Michael Webber, 19d Netherhall Gardens, London NW3 5RL. (01) 794 5154 (home) or (01) 603 5070 (office).

F.T. CROSSWORD PUZZLE No. 4,908



ACROSS

1 Is coal crushed at this gathering (6)
4 "For who would hear the whips and —— of time" (Hamlet) (6)
8 Goes in about number ten, and thrives on it (7)
9 Welcoming with a drink (7)
11 Not yet published among the crowd (2,3,5)
12 Rejected by Narcissus, but she had the last word (4)
13 One follows 007 to the beach (5)
14 To bring it back was Hercules' first labour (4, 4)
16 The dress in which to return safely (3-5)
18 River takes us to the American state (5)
20 Mate in two (4)
21 Deep thought gives colour to a room (5, 5)
23 What gets in one's hair in oriental syndicate (7)
24 Country house with an inside refreshment (7)
25 Get even with the Spanish team (6)
26 The county needs it for a bachelor pad (3-3)

DOWN

1 The bird about one has a suitor (5)
2 Become popular — get me? (5, 2)
3 A nice port for free? Not on any terms (2, 2, 5)
5 It shows your answer is wrong, but it is something you must bear (5)
6 Delivers advice on the river (7)
7 This MS has to result in outstanding successes (5-4)
10 "—— in mournful numbers" (Longfellow) (4, 2, 3)
13 Curse in abundance in India (9)
15 To determine the position, had a meal with the football team (9)
17 The allegory is the limit about Butler (7)
19 Particulars suggesting what the former's wife does to blind mice (7)
21 Crooner goes East for a spree (5)
22 In China it is handy to be about fifty (5)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

FINANCIAL TIMES
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The fallout from Mr Haig

THE RESIGNATION of Mr Alexander Haig and his replacement by Mr Georga Shultz as U.S. Secretary of State is not, in itself, a cause for European concern. Indeed there are reasons to believe that Mr Shultz could be a rather better Cabinet officer than his predecessor.

Mr Haig was an Atlanticist. He knew Europe well from his days as Supreme Commander at Nato. He understood European politics and European sensitivities. Europeans in turn had come to appreciate him as someone who would try to ensure that their interest would not be entirely overlooked in Washington.

Yet there were signs, especially of late, that be was not completely at home with President Reagan's machinery of Government. He did not fit in with the Californians who tend to view America and the world from a west coast rather than aan east coast perspective: the Atlanticist wing in successive U.S. governments bas been traditionally east coast. There was also the odd sign of vanity, even of pique, if be was not getting his way. In terms of foreign policy the Reagan Administration was not working smoothly: Mr Haig had too many quarrels—with Mrs Jeane Kirkpatrick, the U.S. Ambassador to the UN, with Mr Caspar Weinberger, the Defence Secretary, and with the White House. He had come to be seen as constantly under attack from somewhere. Resignation had been talked of many times before it became a reality.

Team man

From the European point of view, Mr Shultz has many of Mr Haig's assets. He, too, is an Atlanticist and knows Europe well. He belongs to the east coast which is basically the medium through which Europe understands the U.S., and vice versa.

In some respects Mr Shultz may even have the edge. He is probably more of a team man than the prima donna that Mr Haig sometimes threatened to be. As a former Secretary to the Treasury, he is aware of the importance of economics in foreign policy. He may even please the Europeans in being rather more sympathetic than Mr Haig to the Arab world: Mr Haig was remarkably, even dangerously, pro-Israel, especially during the latest excesses in the Lebanon.

It may also be reassuring to Europeans that the rest of the top officers at the State Department remain unchanged. Mr Laurence Eagleburger and Mr Walter Stoessel, who hold the offices just under the Secretary of State, are thoroughly professional diplomats with a knowledge of Europe. There is no evidence so far that the role of the State Department in U.S. foreign policy-making is being diminished.

Yet whatever may be said either in sympathy for Mr Haig or in congratulations to Mr Shultz, it cannot easily be argued that European-American relations have been going all that well. To take only a few broad examples: U.S. and West Europeans views on the diplomacy needed in the Middle East have increasingly diverged. Thera has been the running battle over defence expenditure, with the Americans tending to believe that the Europeans are not pulling their weight. On the economic side, there is European resentment at high American interest rates. The latest specific case of aggravation is the American ban on the supply of U.S. equipment, including the equipment of U.S. subsidiaries in Europe and of European companies operating under licence from American concerns, to the Soviet gas pipeline, a project which the Europeans are pledged to support.

Main damage

The pipeline is perhaps the most vivid illustration of what has gone wrong. The project will almost certainly go ahead and the main damage that has been done is not to the Soviet economy, but to the U.S.-European relations.

While wishing the new Secretary of State well and hoping that his appointment will make for a more harmonious functioning of the U.S. administration, we would urge that two considerations be borne in mind. The first is that the preservation of the Atlantic alliance, if not quite an end in itself, should he at least a top priority to both Americans and Europeans. The second is that economic policy can no longer be isolated from foreign policy. Some of the greatest strains in U.S.-European relations have come in the economic field, and it is there that consultation is most needed.

Complex task

For a super-power in the last decades of the 20th century, seeking to manage international affairs has become an amazingly complex task. It is not simply a matter of trying to maintain the military balance of power between East and West. There are other centres of power, such as Brazil, India or Iran, outside the central balance. There is the question of how the developing countries can fall into existing world trade arrangements. There is unfinished business in the Law of the Sea and the attempts to prevent the proliferation of nuclear weapons.

It would be unfair to lay all those problems at America's door: the American record is much more good than bad. But the U.S. is a super-power and Europe looks to America for an overall approach that takes account of the world's complexities.

The wrong way to plan London

TONIGHT A rare event will take place in the House of Commons—MPs will he considering matters of aesthetics. They will debate the Special Development Order that Mr Michael Heseltioe has laid before the House to speed the erection of the winning design for the "Green Giant" site, just up the Thames from the Houses of Parliament, at Vauxhal Cross.

Mr Heseltine has been anxious to improve the standard of both commercia land publicb architecture. To achive this, he has opted for the wider use of the *architectural* competition. This is a welcome development that should be encouraged. Unfortunately, in the case of the Vauxhall Cross development, the competion has not been haodled satisfactorily. The final choice was left to the developer, who bas chosen the scheme of little architectural merit. The public was given a chance to voice its opinion of the three short-listed designs. But the public's choice did not tally with that of the developer, and was ignored.

Inducement

The use of a Special Development Order over-rides normal planning procedures—it was last used for the Windscale nuclear power station and has never before been used for private development. Only the objections of the entire Labour Opposition front beoch have secured a deb ate on an issue that wide repercussions for the future of Britain's urbao fabric.

The device of an SDO was offered by Mr Heseltine as an inducement to developers to accept the competition process. The idea was that it would guarantee developers some rapid decision-making once a design had been accepted. But the whole procedure risks ignoring the public interest.

No one would question the need for the standard of architecture to be improved, particularly in the capital and along the Thames. Mr Heseltine bas rejected the development of any form of detailed planning brief for London. He is content instead to let competition—both aesthetic and commercial—dictate the future shape of the city. This approacb leads to difficulties of its own. It was comprehensive planning that created the Barbican; and it was the dictates of commercial competition that created the rampant and ugly architecture built since the war over mucb of London.

Tonight's debate should open the vital discussion on the need for new procedures to ensure higher architectural standards. Mr Heseltine has been bold in bis advocacy of competition and his wish to speed up the interminable bureaucratic planning process.

What is missing is a clear method of ensuring architectural quality. Aesthetics are a subjective business and the mere fact that they are being discussed in Parliament is an important advance.

Parliament should reject the unsatisfactory winner of the Vauxhall Cross competition. It would also be helpful if Parliament could ensure that the judgment of architectural competitions is always independent—the role of the developer in the assessment should be limited.

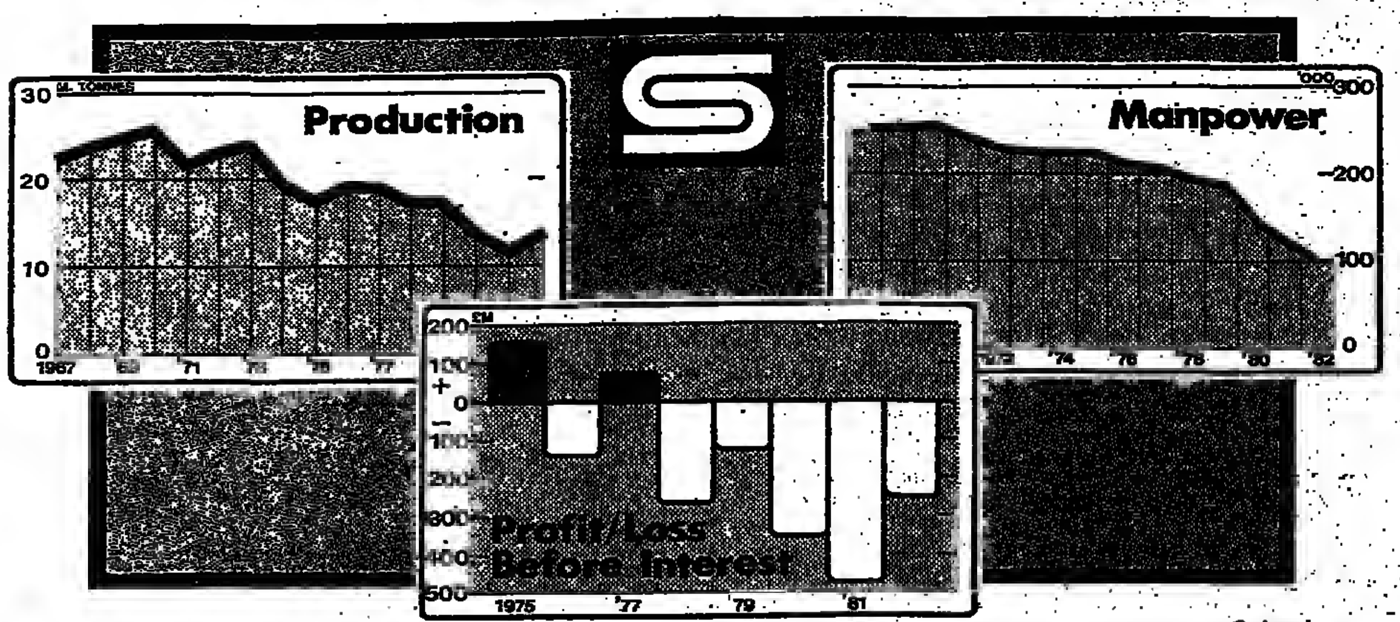
Framework

To ensure a revival of quality in the environment, particularly in London, MPs might consider ways of strengthening the powers of the Royal Fine Arts Commission and ensuring that any planning framework for the city gives equal weight to architectural quality as to speed of development and commercial viability.

BRITISH STEEL CORPORATION'S FUTURE

A crippling lack of demand

By Ian Rodger



Graham Lever.

THE British Steel Corporation is once again in crisis. The continuing weakness of Britain's main steel consuming industries—motor cars, engineering and construction—is undermining the corporation's last ditch struggle to maintain its five bulk steelmaking plants.

If BSC decides to close one of the plants—and it expects to make a decision in the next few weeks—that will mark the failure of the recovery plan adopted shortly after Mr Ian MacGregor became chairman two years ago.

If it does not close a plant, the chance of meeting the plan's target of breaking even at the trading level by next spring will be significantly reduced, thus risking the loss of vital government support.

The decision is made much more difficult by the fact that, for once, neither the oft-maligned management nor the workers can be blamed for the corporation's sorry state.

The workforce has made big strides in the past two years to improve productivity, reducing the number of manhours required to make a tonne of steel from nearly 15 to just over eight. But there is still some way to go. Mr MacGregor has said he is aiming to match the performance of the Canadian industry, where each worker produces 340 tonnes of steel a year compared to BSC's 212 tonnes per worker.

The corporation has also succeeded, in spite of appalling market conditions, in rebuilding its home market share from 47 per cent after the 1980 strike to its normal level of 54 per cent.

Key customers, such as Metal Box and Guest, Keen and Nettlefolds (GKN), were so disrupted by the strike that they diverted much of their steel buying to foreign suppliers, but they now say BSC has won back their confidence and their orders.

The problem is simply one of lack of demand. Since March, orders have fallen by about a third to an annual rate of only 7.3m tonnes and there is no sign of the upturn BSC was counting on to fulfil its plan.

"The great tragedy of British steel is not the decline of the British Steel Corporation," Mr MacGregor said recently, "but the decline in the British manufacturing industries."

BSC has been chasing that decline for so long that it is difficult to remember the heady days of late 1972 when the then Government endorsed the corporation's ambitious £3bn expansion plan.

Crude steel making capacity would rise from 27m tonnes to 33m tonnes. Following the latest Japanese practice, bulk production would be concentrated on large coastal sites where super-carriers could land huge tonnages of iron ore and coal. Adjacent rolling mills would turn out long, efficient runs of finished products.

Partly because of political pressure and partly because of the many sites inherited at the time of the 1967 nationalisation, BSC did not aim for plants as large as the Japanese, choosing instead to spread the expansion over five sites, Llanwern and Port Talbot in Wales, Scunthorpe and Teesside in England and Ravenscraig in Scotland. Together, their capacity would double to nearly 29m tonnes by the early 1980s.

But within a year, these ambitious designs were being undone by the effects of the world oil crisis and high inflation on Britain's manufacturing industries.

The number of cars produced in Britain is now 50 per cent lower than in 1972 and the value of new construction contracts is down 40 per cent. Mechanical engineering activity has declined 25 per cent since 1975. So much for the long, efficient runs of finished steel.

By the time of the 1980 steel strike, capacity had been cut to 15m tonnes and the workforce slashed from 210,000 in early 1976 to 166,000. Losses over the five years to 1979-80 totalled £1.6bn, and several big works had to be shut down.

But it was still not enough and when Mr MacGregor became chairman in July 1980 it was widely expected that further substantial capacity cuts would be made and, in particular, that one of the five bulk steelmaking sites would have to go. After all, the five together were by then producing less steel than was foreseen in 1972 for Teesside alone.

But in December, Mr MacGregor surprised everyone by seeking only a small reduction in manned capacity to 14.4m tonnes and the elimination of only a few peripheral plants.

The five bulk steelmaking plants would be maintained, although manpower would be cut to the bone. The thinking was that, with only a slight improvement in demand in 1982—and the recovery of its market share—BSC could break even by the spring of 1983 and then go on to make profits.

Moreover, by maintaining the five plants, the corporation was keeping an extra margin of capacity in case demand moved strongly higher in the mid-1980s. Because of its commitments in the overall European steel capacity cutbacks, BSC does not like to be specific about its "potential" capacity as opposed to its "manned" capacity, but the potential figure is believed to be around 20m tonnes, an extra third.

It was a daring plan; Mr MacGregor himself called it optimistic at the time and said contingency plans for liquidating portions of the business would be promptly implemented if the corporation failed to achieve the targets set.

In the event, BSC has so far met all its industrial targets, regaining its market share, increasing its exports and making spectacular improvements in productivity. Another 66,000 jobs have been eliminated in the past two years and some of the plants, notably in South Wales, are operating at internationally competitive cost levels.

Until this year, the corporation was also meeting its financial targets, thanks in part to the higher prices made possible by the crisis measures taken by the European Commission. If it had not been for the disruptions caused by the rail strikes and the bad weather in January, BSC would have been well ahead of its target of reducing its pre-interest loss to £70m in the second half of last year.

Then in March, demand suddenly dropped away. Producers initially attributed it to the aftermath of extra stocking by customers in advance of price increases on most steel products early in the year. But when the slump persisted into May and June, they had to acknowledge more fundamental causes.

The main steel consuming industries in the UK are still deeply depressed. BSC has now abandoned its forecast that they would show a 1.5 per cent increase in output this year, and is looking for the construction and manufacturing industries to turn around early next year.

For the past few months, corporation officials have been hinting that the target break-even point of March, 1982 could recede to the summer. More recently, they have added that the corporation could slip back into losses again after reaching breakeven.

Then came the U.S. Government's move earlier this month to impose countervailing duties on subsidised steel imports. BSC was singled out as the most highly subsidised source and henceforth, importers of BSC products have to post bonds equal to 40 per cent of their purchase price. Few were expected to want to continue to buy BSC steel.

Given the continuing squeeze, BSC officials inevitably reflect that if they shut one of the five bulk steel plants, operating and financial results would improve dramatically.

Mr MacGregor himself has said that five sites are too many for making only 14.4m tonnes of steel. So there can be little doubt of what the board had in mind when recently it launched a review of its plant configuration.

Reducing capacity in steel is never as simple or neat as it sounds. The about-turn in the late 1970s left Teesside, for example, with an immense new blast furnace that could make far more iron than its steel plant could handle. Port Talbot's basic oxygen steel converting plant never got the third vessel that would have made its operation much more efficient.

But now there is a fairly clear choice. Ravenscraig in Scotland. It is one of three steelmaking sites associated with strip mills, the others being Llanwern and Port Talbot. Demand is very weak in this sector and the loss of one plant would scarcely be felt.

Ravenscraig is thought to be the most vulnerable of the three, partly because productivity there has not improved as rapidly as elsewhere and partly because key local markets, such as the Linwood car assembly plant, have disappeared.

There is an irony in Ravenscraig's plight. Like the five-site plan itself, it exists because of a politically imposed compromise. In 1962, the Conservative Government of Mr Harold Macmillan insisted for political reasons on building two strip mills, in Scotland and South Wales, when on economic grounds only one was needed.

Closing Ravenscraig or any other big plant would be a difficult move for the current Government to endorse in the fourth year of its term. Scottish industry has been devastated in the past three years, with the loss of Linwood, the Wiggins Teape pulp mill at Fort William and the British Aluminium smelter at Invergordon.

But all this is perhaps unnecessarily pessimistic. BSC's latest corporate plan, through to 1985, still aims to maintain the present plant configuration, although the plan concedes that failure to achieve further cost cutting targets could result in the closure of one or more integrated plants.

Mr MacGregor himself says he is still optimistic, although he has an odd way of expressing it:

"The absence of swallows does not mean that summer isn't coming."

HOW BSC COMPARES

THE DECLINE of Britain's steel industry has been uniquely severe in the major industrialised countries. Other steel industries have suffered to a greater or lesser extent with the series of recessions since 1973 and from the increasing pressure to produce steel as efficiently as the Japanese.

But none has suffered the precipitous 37 per cent fall in home consumption that has hit British Steel Corporation since 1972. In the U.S., for example, apparent steel consumption last year was down only 7 per cent from the 1972 level. In West Germany, it was down 18 per cent over the same period, in France, 21 per cent and Belgium and Luxembourg 15 per cent.

In Italy consumption has actually increased 9 per cent in the past decade.

These figures are backed up by statistics of the main consuming steel industries. Whereas car production in Britain has been halved since 1972, it has risen more than 1 per cent in Germany and fallen 22 per cent in France and 27 per cent in Italy.

Between 1975 and 1981, the engineering industries of France, Germany, Belgium and the Netherlands have all grown by more than 10 per cent and Italy's by 30 per cent.

Thus, it is not surprising that other European steelmakers have not made as dramatic cuts in manpower and capacity as has BSC. In fact, according to EEC figures, every country except Britain and Luxembourg has raised capacity since 1973.

While BSC has cut its steelmaking manpower by half since 1976, Italy's is unchanged, the Netherland's is down a tenth, Belgium's a quarter, Germany's 17 per cent and France's 37 per cent.

But the slump in demand in the past two years has hurt even the strongest European steel companies and cutbacks are becoming more widespread.

The French Government announced earlier this month a £2.3bn plan to cut capacity from 29m tonnes to 24m tonnes. It is expected that 10,000 to 12,000 jobs will have to be shed.

Belgium's Cockerill-Sambre said in May it would cut capacity from 8.5m tonnes to 6.1m tonnes and reduce the workforce by 3,900.

But estimates of excess capacity in the EEC still range up 70m tonnes so there is likely to be a lot more heartache all round.

Men & Matters

High flier at work

One man to be taking the tube strike with more than usual stoicism is Sir Peter Masefield, who as chairman of London Transport is at the very heart of the storm.

Yet Masefield, 68, finds his energies undimmed by the dismal wrangle, and still manages to spend between 5 am and 7 am each day writing books—the only time when his telephone does not ring, he explains.

"I find my energies compressed by all this rather than curtailed," Masefield says.

This year, he published his first book, appropriately titled To Ride the Storm. It is the result of his own research into what happened to the British airship, R101, which crashed after repeated warnings to the Government from technical experts.

His next will be the story of how Lord Thompson, the former Air Secretary, fell in love with the Romanian Princess Bibesco as a military attache in Bucharest during the First World War.

Masefield plans two more about aviation and transport—a subject in which be is extraordinarily expert, since be was air correspondent for the Sunday Times in the early days of the last war, then Britain's first civil air attache in Washington, and is now deputy chairman at British Caledonian. And this is only a small part of his wide aeronautical background. Last, but not least, he bas started work on his autobiography.

Although Masefield is a firm believer in Parkinson's law—that work expands to fill the time available — be admits that retirement in September will allow him more time to concentrate on writing.

Keith Bright, chief executive at Associated Biscuits, will be taking over. Masefield adds: "And London Transport just about takes the biscuit, too."

Brainchild

It is a familiar complaint—too many British ideas and inventions have to wait to be developed commercially elsewhere. But when the topic cropped up during a lunchtime chat in Co. Durham recently, those around the table decided to do something about it.

The outcome was the formation this week of a joint company by ICI and Stockton-based management consultants Marlborough Teesside Management.

Their brainchild, Marlborough Technical Developments, will assess the commercial value of ideas and opportunities which originate within the chemicals giant—or any other source—and set up, where possible, separate businesses to develop them.

Top brass at ICI believe that MTD will encourage new and profitable ventures in fields which otherwise might remain undeveloped in their own organisation.

Former ICI man Richard Lines, who with Brian Wiggins and Dr J. P. Regen, also from the chemical industry, set up MTM five years ago, says: "The speed of exploitation of new technology in this country has been somewhat slower than in some other countries. Some new ideas or processes in a big organisation like ICI tend to get pushed to the end of the queue for capital. This is one way of getting things going."

MTM has at least one notable success to its credit. It created and developed the speciality chemical manufacturing company Seal Sands, which it sold late last year for between $5m-$6m—to a U.S. group.

Lines says the joint company will fund similar ventures which, as they develop, may either retain their separate identity or be brought back within the ICI fold.

Several ideas are already being examined—including the exploitation of the bio-degradable (it rots) plastic PHB (polyhydroxybutyrate), which ICI makes from micro-organisms.

"We have the combination of technological know-how and commercial ability which should enable us to do the things here which, for lack of time, money or awareness have been left to others," says Lines.

Pressmen

A case of different strokes for different folks confronted a delegation of businessmen from the Far East on a tour of industrial plants in the U.S.

While the American machines whirred and thumped with impressively modern efficiency, the visitors were puzzled by the extraordinary level of safety precautions around the factory floor of one steel pressing shop.

Looking over a particularly mighty metal press, one of the visitors asked why it was necessary for two men to be permanently stationed either side of it, apparently contributing nothing other than their physical presence.

"Those," explained the hosts, "are the guards that we put there to make sure nobody gets a hand or two caught up in the machine."

The visitors dissolved at this point into a fit of apparently inexplicable giggles. The puzzled hosts asked what could possibly be regarded as funny.

There was an awkward pause, until the leader of the visiting delegation took it upon himself to explain their mirth. "What sort of a man do you have here," he asked, "who would want to put one or both of his hands into a 20-ton metal press?"

Royal insurance

Even the Socialist-inspired National Enterprise Board, now part of the British Technology Group, seems to be cashing in on the current surge of patriotism and love of the royalty.

Last year, it was decked out by Sir Frederick Wood, its new chairman, with a red, white and blue logo that looked like the tail of a British Airways jet. Now Wood has issued men on the staff with similarly striped coloured ties and the ladies with scarves.

Princess Anne officially opened the group's controversial Inmos micro-chip plant in Colorado Springs during her visit to the U.S. and Prince Charles is thought to be lined up—in his capacity as Prince of Wales of course—to do the same for the Inmos factory now being completed in Newport, South Wales. A form of Royal insurance against the project being chopped by the Government one day?

Time piece

To point out the reliability and accuracy of its watches, Rolex has mounted an advertising campaign informing the world that it is responsible for the time keeping at Wimbledon.

It illustrates the point with a photograph of a Wimbledon scoreboard, the top of which carries the time by courtesy of Rolex. On the board itself, one side records the individual scores of four sets, showing that John McEnroe has won three and Bjorn Borg, one. The other sides gives the total score, which it claims is one set all.

Shome mishtake shurely?

Winding down

A compulsory winding-up order, I see, has been made against a company called Clock Face (DIY).

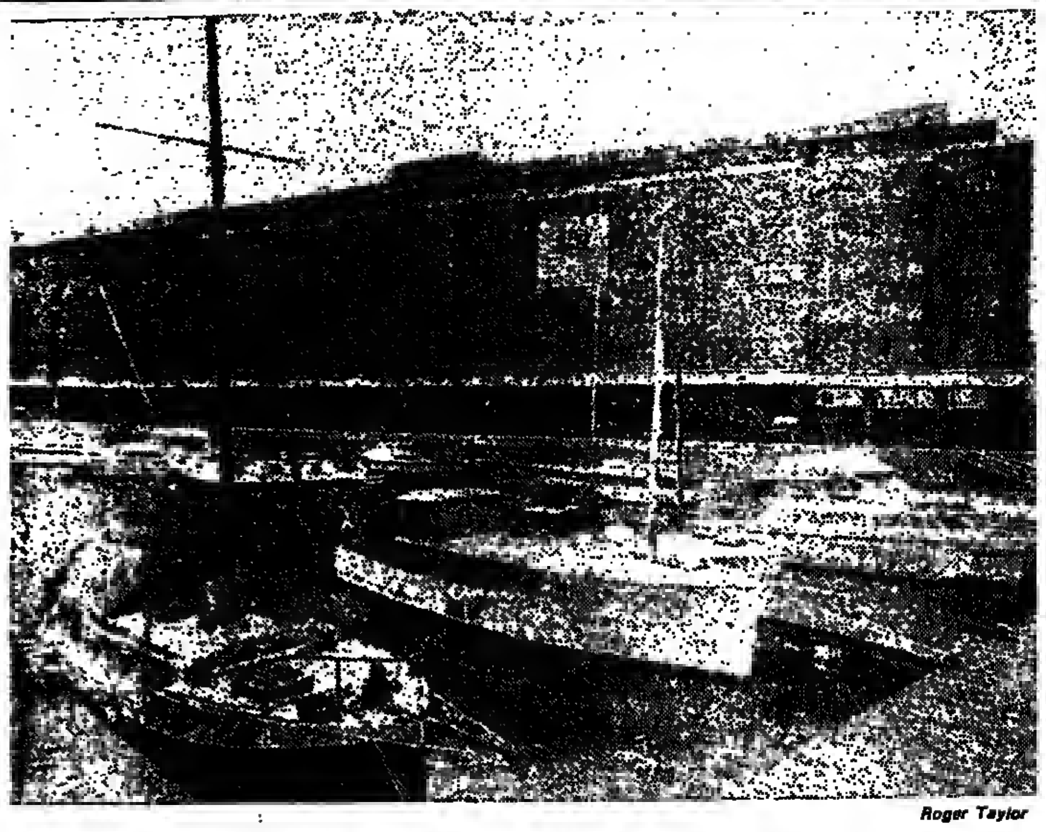
Observer

هكذا من الأصل

FINANCIAL TIMES SURVEY

Monday, June 28 1982

UK Property



Roger Taylor

London's former dockland areas contain considerable development potential. Taylor Woodrow's International House (above) is the second phase of the London World Trade Centre at St Katharine's Dock below Tower Bridge

Most sectors of the property market have spent another year in the doldrums, with voids increasing and rents showing little sign of recovery. There is some comfort, however, in that the market is now stoutly underpinned by institutions which last year invested a record £2bn.

Based to weather the hard times

BY MICHAEL CASSELL

IT WOULD take an estate agent's fertile imagination and a property developer's blind enthusiasm to suggest that all is well with the UK commercial property market. It would, on the other hand, require an unhealthy blend of cynicism and pessimism to paint a picture of all-pervading gloom.

The property market has inevitably succumbed to the same recessionary influences which have made their mark on every sector of the economy. But after an unrealistic period in which many thought the market was somehow going to buck the trend, there is now a growing—though not universal—recognition that medium-term prospects are strictly limited.

There is at the same time considerable satisfaction—not to say relief—that the foundations of the UK property market are now buried deep in firm ground and clearly capable of withstanding the pressures bearing down on them; in happy contrast to the dismal days of the early 1970s.

The essential differences to have emerged over the last decade are by now well catalogued but at a difficult time like this are still worth repeating.

The property development and investment markets are now dominated by institutions which do not necessarily avoid all the mistakes of their entrepreneurial predecessors but which are at least better placed to sit tight when the going gets tough.

Many of the unsound developer-trading activities and even more dubious financing arrangements, which once before invited disaster, no longer form constituent parts of the market's make-up, though the gradual return of some old and familiar names demonstrates their undying fascination with property and their ability to forget previous calamities.

But if the property markets do not harbour the same inherent structural weaknesses laid bare ten years ago, they are none the less experiencing some unwelcome, though less fundamental, difficulties.

The principal and simple problem is one of demand—or rather the lack of it. The recession has inevitably led to a widespread corporate retrenchment across a very broad field. With the reduction in numbers employed and the drive for greater efficiency and lower overheads has come a cut in the volume of floorspace required to house industrial, warehousing and commercial activities.

The associated reductions in consumer spending have at the same time knocked an equally big hole in the retail property market.

Fluctuations in demand for floor space are hardly a new phenomenon and just how badly the commercial property markets suffer during periods of weakness depends on the extent to which they have kept in touch with the market place. The relatively modest weakening in trends to date would suggest that, in most respects, the industry has not wandered too far astray.

There is no question, however, but that the reduction in demand for accommodation, allied to some reasonably high levels of new development activity, has created the type of overall surplus which saps the strength and short-term growth potential from the property sector.

Repercussions

The repercussions have been arguably slow in manifesting themselves but they have finally worked through and have become progressively harder to deny.

Rental growth for most types of space has stagnated or, at best, merely managed to keep in touch with inflation. Rents overall are calculated to have been rising at their lowest rate for five years and the reality is that many have not risen on any basis.

Predictably enough, office rents in locations like the City of London have performed best, with growth rates generally matching inflation, but the problem for less well located property is just as likely to be one of finding any tenant at any price.

The industrial property market, hit first and hardest, now has a historically high volume of floor space lying vacant around the country, much of it never likely to attract another occupier. With an inspiration born out of desperation, every marketing technique and gimmick in the estate agents' handbook has been used to find owners or tenants. Success has been patchy, though there are indications that the worst may be over and that lettings, while still on a highly selective basis, are again on the increase.

In the retail sector, the same pattern of weak demand and yawning voids has been repeated. In central London shop rents have continued their two-year slide and in Oxford Street they stand, according to one agent, more than 50 per cent down on the levels prevailing two years ago.

Such descriptions of the property market inevitably amount to generalisations about specifics and broadbrush assessments cannot take account of the individual deals and developments which have defied the general trend. There have been lettings involving property which appeared temporarily unlettable while apparently attractive buildings remain empty.

But it is nevertheless clear that as surpluses of space have multiplied so a market which often seems almost totally consumed by the virtues of quality and location has become even more obsessed with these guiding principles.

The indications are that such preferences are well founded, for when conditions deteriorate so the marketability and hence potential investment performance of different properties can begin to vary widely.

Defy reason

The investment market in commercial property is now interestingly poised. Institutional spending on property in 1981 reached a £2bn peak, ignoring the clear signs of deterioration in market prospects and helping to keep yields in most sectors at levels which, some claim, continue to defy reason.

In truth, the short-term problems of the property market have little significant impact on the overall institutional approach towards real estate as an investment option. Property, as one agent recently reminded everyone, is not and never has been a commodity to be traded in as stocks and shares and its characteristics do not easily lend it to very frequent performance analysis.

But if the appeal of property is unlikely to diminish in the eyes of the institutions, there is little doubt that, within that commitment, a review of preferences is underway.

While it may be true that prime yields are doggedly sticking to historically low levels, the definition of prime is itself becoming increasingly restricted. What a short while ago was considered to be of institutionally prime standard is no longer necessarily seen in the same light—a trend which is tantamount to an easing of yields.

Across the country and in all types of property the market for secondary property investments, under their widening definition, remains limited and recent auction results have illustrated that imperfect industrial investments will only change hands at yields to the purchaser of over 10 per cent. For both shops and offices there are high vacancy rates in secondary and tertiary locations.

But can existing prime yields continue to be justified, given the medium-term outlook for rental growth? There are those who suggest that as inflation moderates and rental growth reduces so yields will inevitably begin to rise.

Others, however, disagree. They emphasise that any investor should be looking for a long-term return which exceeds the rate of inflation; if that is set to run below 10 per cent for the foreseeable future then it is likely that rental growth will also run at lower levels. A longer term reduction in inflation is, the argument goes, only likely to follow a period of falling interest rates and a reduced yield from alternative investment instruments, implying that target returns from property can also be adjusted downwards.

Who is correct remains to be seen but in the meantime there are clear signs of disenchantment, however temporary, with property among a number of institutions. Some have heavy development commitments which may well not begin to produce the income flow on a scale or within the time originally expected. Others have simply stopped buying for the time being.

The influence of the institutions on the property market is a controversial issue and is polarised between those who see them as a stabilising factor and those who regard them as a stuffy and stultifying sponsor. The least that can be said in their defence is that their predominance (and their ability to sustain shocks to the system which others might not cope with) should help keep the property market on a relatively even keel.

CONTENTS

UK COMPANY NEWS

Knight Computer placing at 60p

THE PROSPECTUS is published today for the placing of 2.45m shares in Knight Computer International at 60p a share raising £1.47m for the two major founding shareholders. Following this placing of 45 per cent of the capital (there is no new money for the company) Knight will join the USM on Friday.

Knight, which is a leading computer service company supplying staff rather than hardware, is forecasting profits of £450,000 for 1982 and dividends of 1.6p a share. On this basis the pricing is pitched on a fully-taxed prospective p/e of 15.1 and yield of 3.8 per cent.

Knight was formed by Mr Jenner and Mr Sellis in 1972. Since then it has grown into one of the largest suppliers of computer personnel on a contract basis in the UK. This activity provided 93 per cent of turnover in 1981. The categories of personnel supplied include project leaders, consultants, systems analysts, programmers and operators, though the growing trend is towards specialists rather than operators.

Currently the company employs 250 people full time which are put out on a contract basis to clients. Assignments can last up to five years though the norm is somewhere between six and 12 months.

Knight's customer base takes in a wide spread of industries including banking, insurance, the oil sector and local and central government.

It also operates a small recruitment service finding permanent staff for its clients and has pushed into the consultancy field.

Within two years of starting Knight the owners branched out with an office in Amsterdam. From there Knight services Belgium, France and Germany. There is an agency agreement in Scandinavia.

In February 1980 Knight opened its first office in New York and despite a hesitant start in the nine months to December 1981 it contributed an eighth of group turnover. Overall overseas operations amounted to half group turnover in 1981.

Knight's profits record has taken a nasty dent in the past few years. In the year to March 1977 Knight made £46,000 pre-tax before exceptional items, and two years later the company was up to a peak of £399,000, inflated, the directors admit, by currency factors. In the following 12 months profits were down by just over £100,000 and in the 12 months to March 1981 Knight had fallen further to £225,000. In the nine months to December 1981 profits were back up to £208,000.

One of Knight's biggest problems was its attempt at moving into turnkey operations where the development of a new system in co-operation with a major manufacturer ended in a disaster and with Knight £100,000 out of pocket, despite litigation which clawed back sums from the manufacturer to cover the cost of reimbursing customers.

The company also estimates that the costs of setting up the U.S. project hit profits to the tune of £70,000.

Brokers to the issue are E. B. Savory Milln.

● comment

Drawn by some rather heady ratings computer companies have been popping up in the USM since its inception. Knight is broadly within the fold though slightly apart because it is a supplier of specialist personnel rather than hardware or software. It is somewhat like an employment agency providing temporary staff but without that sector's inherent problems of oversupply. For the time at least the computer industry is short of top flight specialist staff and the profit margins on Knight's type of business are far from mean. They are even better in the U.S., hence the company's push overseas. By the end of 1981 the U.S. will account for 20 per cent of turnover and the new Los Angeles office is scheduled to open around the turn of the year. Europe, in contrast, is a fairly sluggish market at present and the UK is not immune to the recession. Knight puts up a fair defence against its patchy record—the expense of setting up in the U.S. and the disastrous turnkey project. Shareholders can only hope the future will not hold more of the same. Presumably Knight has learnt some lessons. The most obvious comparison for the market is with Trident but that company's image has been dented by a recent profits slip and Knight does enjoy more of an International flavour. Anyway Knight's p/e of 15.1 and yield of 3.8 per cent betters Trident's. So it should get a fair reception though launching into a falling market is not the easiest of births.

London Shop

London Shop Property Trust and Beaumont Properties announce that proposals have been formulated for the existing £3,427,793 8 per cent unsecured loan stock 1987-97 of Beaumont to be exchanged into a new 8½ per cent stock of London Shop on a £1 for £1 basis.

William Press

The recent rights issue by William Press Group has been accepted in respect of 15.069m shares, or more than 89 per cent. The shares not taken up have been sold in the market at a premium.

THE TRING HALL USM INDEX
125.3 (−0.2)
Close of business 25/6/82
Tel: 01-638 1591
BASE DATE 10/11/80 100

Rowe Evans £6m plantation deals

ROWE EVANS INVESTMENTS will make an agreed £6.26m bid for two private plantation groups as a means of acquiring a full Stock Exchange listing for its shares currently traded under rule 163.

REI, which has plantations in Indonesia and Malaysia, announced that it will acquire the capital it does not already own of M.P. Evans and Co and Sungkai Estates.

Evans has interests in a number of plantation companies and a 40 per cent stake in an Indonesian company which owns the 2,468 hectare Kerasaan Estate. Sungkai's principal asset is the Sungei Fruit Estate in Perak, Malaysia, which produces rubber and oil palm.

REI will issue 18,963,645 fully paid 10p shares to fund these acquisitions taking the number of shares in issue to 25,065,731. It will acquire all the 1.14m £1 Evans shares other than the 91,500 it already owns, all the 75,000 5.6 per cent £1 preference shares of Evans and 75,000 ordinary £1 shares of Sunkei Estates.

For the purpose of the acquisitions REI, Evans and Sunkei have been valued at £2.21m, £5.46m and £1.84m respectively.

REI will offer 1,307 of its own shares for every 100 ordinary Evans shares, 6,781 shares for every 100 Sunkei and 232 for every 100 Evans preference shares.

REI said that the expansion of its capital base by these acquisitions would put the financing of its Simpang Kiri Estate in Indonesia, which requires further significant investment, on a firm long-term footing.

It would also establish a more favourable distribution of its investments between revenue earning assets and those intended to produce long-term capital growth, it added.

Evans currently owns 1,987,256 REI shares which would represent 7.93 per cent of its capital after the acquisitions. The board of Evans considers it inappropriate to hold shares in what would become its parent company and has sold its entire holding to institutional investors at 33p per share. On this valuation REI's offers are worth £6.26m.

Completion of the acquisitions is conditional on the granting of a Stock Exchange listing. REI expects dealing to start on July 20.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the sub-divisions shown below are based mainly on last year's timetable.

TODAY

Interims: A. G. Barr, Nenlys, Vectis Stone.

Finals: Barker and Dobson, Brown and Tawse, Country Gentleman's Association, Electrocomponents, London and Liverpool Trust, Marshall's Halifax, Norcros, Somic.

FUTURE DATES

Interim—
TSL Thermal Syndicate .... July 2

Finals—
Equity Consort Invest. Trust ... July 8
General Electric .... July 1
Hovenngham .... June 30
Phillips Patents .... June 30
Russell Bros (Paddington) ... July 2

Consortium take 75% of Chas. Booth

AN ANGLO-Dutch consortium is to take a 75 per cent holding in the Charles Booth property group with the aim of bringing the company to the Unlisted Securities Market later this year.

Hunting Gibson, the ship owning and management group, Hunting Associated Industries, with aviation support, engineering and surveying interests, and the Dutch mortgage bank Friesch-Groningsche Hypotheekbank will each take a 25 per cent holding.

Stockbroker De Zoete and Bevan, will offer 31p in cash for each Booth share in a deal worth £591,790, Hunting Gibson said. The two controlling directors of Booth and their wives who own about 80 per cent of the shares have undertaken to accept in respect of a block of 1.9m shares—75 per cent of the equity.

The capital injection will allow Booth to expand at a much faster rate, said Mr Stanley Newman, joint director.

F.T. Share Service

The following security has been added to the Share Information Service:—

Stewart Nairn (Section: Property).

SPAIN

1982 High	Low		June 25 Price %
366	335	Banco Bilbao	332
362	290	Banco Central	290
324	290	Banco Exterior	300
337	308	Banco Hispano	318
115	110	Banco Ind. Cat.	111
387	315	Banco Santander	332
233	180	Banco Urquijo	180
395	352	Banco Vizcaya	382
250	216	Banco Zaragoza	237
180	103	Dragados	103
70	60	Espanola Zinc	67
66.5	58.2	Fecsa	63.5
50	28	Gal. Preciados	29
66.2	59.0	Hidrola	62.2
53	50	Iberduero	51
104.5	73	Petroleos	76.5
101	94	Petroliber	101
40	5.5	Sogefisa	6.00
74	69	Telefonica	70.2
66	55.2	Union Elect.	56.2

EQUITIES

Issue price p	Amount paid up	Latest Renunc. Date	1982 High	Low	Stock	Closing price p	+ or −	Div.	Times covered	Gross Yield	P/E Ratio
—	—	—	13	11	Argyll Foods Warr'ts	11					
§250	F.P.	28/6	260	250	Assoc. Heat Services	252		[illegible]			
46	F.P.	30/7	55	50	Bairstow Eves 5p	51	−1	b1.91	9.6	4.5	12.5
§90	F.P.	26/6	101	98	Black (Michael) 25p	98		u5.0	2.6	4.7	12.7
15	F.P.	15/4	22	19	Cambrian & Gen. 75p	20					
§260	F.P.	4/6	435	298	Cont. Microwave	420		b5.25	3.5	1.8	16.6
§18	F.P.	—	59	54	Dencora	54					
§50	F.P.	28/6	183	140	Gruck Hldgs.	152		b3.3	2.5	3.0	23.3
§87½	F.P.	30/6	98	96	Electro-Prot. US$0.50	90		[illegible]			
—	—	—	17	10	Group Inv Option	12					
§157	F.P.	2/7	185	155	McCarthy & Stone	185	+7	b5.25	2.7	4.0	16.9
§105	F.P.	—	121	113	Miles 33 10p	112		u2.3	4.3	2.9	9.7
600	F.P.	2/7	630	599	Oriflame SA (US$1.50)	610		b0.9	2.2	4.5	8.8
77	F.P.	24/7	97	85	Radio City 'A' NV	88					
140	F.P.	29/6	186	160	Ruddle (G.) 10p	186		b5.6	1.9	4.1	18.5
¶¶	F.P.	—	50	40	Zambia Cons Cpr 'B'	30					

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1982 High	Low	Stock	Closing price £	+ or −
£100	Nil	—	7pm	1pm	Benlox 9% Conv. Cum. Rd. Pf.	1pm	
*100	£10	25/8	11¼	10¼	Bournemouth Water 9% Red. Prf. '87-89	11¼	
£99.5	£25	14/7	25½	21½	Cred. Foncier de F 14% Ln. 1987	25½	
£100	F.P.	1/7	109¼	100¼	East Anglia Water 9% Red. Prf. 1987	101¼	
‡‡	F.P.	—	146½	136	First Nat. 12½pc Conv. Uns. Ln. 1987	134	
101	F.P.	—	109	107	London & Intl 10½pc Conv. Sub. Uns. Ln. 95-96	108	
£100	F.P.	9/7	101	101	Marlborough Props. 10% Conv. Ln. '92-2002	101	
98.5	£25	8/10	28	25	Midland Bk. 14% Sub. Uns. Ln. 2002-07	25	
*100	F.P.	26/8	101¼	91	Mid-Southern Wtr. 9% Prf. 1987	101¼	
£100	F.P.	—	100¼	100¼	Nationwide Bdg. Soc. 14¼% (25/6/83)	100¼	
£100	F.P.	—	99⅞	99⅞	Do. 13½% (23/6/83)	100	
100	F.P.	—	100¼	100⅛	Do. 13½% (6/6/83)	100¼	
99.545	£25	—	24½	24	New Zealand 14½% 1987	24½	
*100	F.P.	—	47	38	RIT & Northern 4pc Nt Cum. Prf. £1	41	
*100	F.P.	—	46	42	Do. 4.7pc Nt Cum. Prf. £1	43	
*100	F.P.	28/7	101¼	90¼	Wrexham Water 9% Red. Prf. '87-89	101¼	

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date		1982 High	Low	Stock	Closing price p	+ or −
10	F.P.	27/4	28/5	14	10	Ansbacher (H.) 5p	10½	
155	Nil	—	—	28pm	18pm	Applied Computer Tech.	28pm	
170	F.P.	13/5	24/6	190	180	Bank Leumi (UK) £1	185	
135	F.P.	18/6	2/7	160	156	Carless Capel 10p	160	
174	F.P.	18/6	20/7	233	218	Grand Met 50p	224	
Kr.156	Nil	—	—	32pm	23pm	Great Northern Tel (£10)	32pm	+½
50	F.P.	24/5	15/6	58	49	Press (Wm.) 10p	51	+1
385	F.P.	17/5	30/7	445	380	Saatchi & Saatchi 10p	390	
915	Nil	9/7	13/8	40pm	28pm	Sketchley	28pm	
10	F.P.	24/5	23/6	12¼	9¾	Sturla 10p	9¾	−¼
26	F.P.	10/6	10/6	26	24	Young (H.)	26	+1

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. ● Figures or report awaited. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ◆ Unlisted Securities Market. ‡‡ London Listing. ‡ Effective issue price after scrip. † Formerly dealt in under Rule 163(2)(a). ‡‡ Unit comprising five ordinary and three Cap. shares. △ Issued free as an entitlement to ordinary holders.

PENDING DIVIDENDS

Company	Date	Announcement last year
Acrow	July 28	Final 0.75
*Alexanders Discount	July 16	Int 5.5
Allied Colloids	July 16	Final 2.067
Allnatt London	July 16	Final 3.4
Associated Newspapers	July 15	Int 4.5
Ault & Wiborg	Aug 5	Int 0.5
*BPB Inds	June 30	Final 5.0
Bank Leumi (UK)	July 27	Int 3.16
Bath and Portland	July 15	Int 2.0
*Bilton (Percy)	July 26	Final 4.4
Brown (John)	July 24	Final 2.6
Barclays Bank	Aug 6	Int 10.5
*Cable and Wireless	July 13	Final due
Daily Mail & Gen Tst	July 15	Int 11.0
Davy Corpn	July 23	Final 4.7
Distillers	July 16	Final 7.75
Dixons Photographic	July 30	Final 2.175
Dowty	July 15	Final 2.8
*Electro-Components	June 28	Final 5.5
Finch Lovell	July 30	Final 3.71
Gestetner	July 30	Int 1.25
Glynwed	Aug 9	Int 2.45
Granada	July 1	Int 1.75
GUS	July 1	Final 9.0
*Greene King	July 1	Final 4.2
*HAT Group	July 12	Final 1.25
Haslemere Estates	July 16	Final 4.56
Hillards	Aug 3	Final 3.75
Hogg Robinson	July 21	Final 3.0
Hoover	Aug 6	Int due
Illingworth Morris	July 17	Final nil
ICI	July 30	Int 5.0
*Imperial Cont Gas	July 6	Final 8.3
Imperial Group	July 6	Int 2.75
Initial	July 20	Final 6.25
*International Timber	June 30	Final 2.0
*LRC Internatl	June 25	Final 1.5
Lex Service	July 30	Int 2.8
*Lloyds Bank	July 23	Int 8.625
Lonrho	July 30	Int 3.0
MFI Furniture	July 23	Final 1.52
Magnet and Southerns	July 14	Final 3.0
*Meyer (Mont L.)	June 30	Final 1.25
Midland Bank	July 31	Int 8.0
*NatWest	July 27	Int 9.625
*Norcros	June 28	Final 3.56
Nottingham Manf	July 27	Int 1.1
Peedy (A.)	Aug 3	Final 2.75
*Rank Organisation	July 12	Int 4.5
Rentokil	July 15	Int 1.08
Rothmans Intl	July 16	Final 2.85
*SGB	July 16	Int 2.2
*Scottish & Newc. Breweries	July 1	Final 2.675
Thorn EMI	July 10	Final 10.575
Unigate	July 16	Final 3.0
*Union Discount	July 21	Int 9.0
*Vantona	July 28	Int 3.0
Wagon Industrial	Aug 4	Final 3.0

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

LADBROKE INDEX
Close 548-553 (−3)

Public Works Loan Board rates

Effective June 23

Years	Quota loans repaid by EIP†	A‡	at maturity§	Non-quota loans A* repaid by EIP†	A‡	at maturity§
Up to 5	13⅝	13¾	14	14⅛	14¼	14½
Over 5, up to 6	13⅝	13¾	14⅛	14⅛	14¼	14⅝
Over 6 up to 7	13⅞	13⅞	14⅛	14⅛	14⅜	14⅝
Over 7, up to 8	13⅞	14	14⅜	14⅜	14½	14⅝
Over 8, and up to 9	14	14⅛	14⅜	14⅜	14⅝	14⅝
Over 9, up to 10	14⅛	14⅛	14⅜	14⅜	14⅝	14⅝
Over 10, up to 15	14⅜	14⅜	14⅜	14⅜	14⅝	14⅜
Over 15, up to 25	14⅛	14	14	14⅜	14⅜	14⅜
Over 25	14	14	14	14⅛	14⅜	14⅛

* Non-quota loans B are 1 per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Inflow remains high despite slackening of pace

PROPERTY is an illiquid investment. It follows that the ongoing debate about whether prime property investment yields should be, say, a percentage point higher is not frequently tested in the market place. And when people are buying more property than other people are selling, it is unlikely to be tested at all.

In April of this year the Central Statistical Office issued figures showing that institutional investment funds, in 1981 at least, were still on the biggest property spending spree yet recorded.

Apart from share acquisitions in property groups, the UK pension funds, insurance companies and unit trusts last year spent £1.95bn on direct property investment, a rise of about £100m on the record 1980 level.

Together with other institutional buyers of property, the combined total reached £2.2bn against £1.9bn in the previous 12 months. The CSO statistics showed that the pace was slowing down in the final months of last year; but it was narrowing development margins, rather than any substantial weakening in the funds' desire to purchase prime property, which suggested that 1982 might see a less buoyant investment pattern.

A month later agents Healey & Baker, in a commentary accompanying the June, 1982, edition of their prime commercial property yield graph, said flatly that yields had maintained the same levels reported three months earlier—3½ per cent for shops, 4½ per cent for offices and 6¼ per cent for industrial property.

They emphasised that for the purpose of this graph prime properties are those located in the "very best" positions of towns of the highest investment calibre. They were of the most marketable size and style, let to good and substantial tenants, on leases containing modern covenants, and with good rent reviews.

Their view was that high quality commercial properties were still properly valued on those yields and that there was a significant market at these levels.

INVESTMENT

WILLIAM COCHRANE

Nobody, and that includes Healey & Baker, is ignoring the arguments against present yield levels. In the post-war period the growth of institutional investment funds has been outstanding in real terms and while some commentators expect real growth to continue at least until the end of this century, one cannot escape the fact that other avenues of investment have widened, and in some cases become significantly more attractive.

The relaxation of exchange controls after 40 years has meant that very large sums have been invested overseas. For various reasons, especially the hardness of the dollar, UK enthusiasm for overseas investment might not currently be as buoyant as it was initially. But the overseas option exists and the increasing sophistication of investors suggests that it will continue to thrive.

Still in the U.S., the persistent efforts of American property men to sell their product to UK and other European investors may have come at a bad time in cyclical terms; selling before a recession really bites, as it has in certain areas of the U.S. property market, is likely to leave a sour taste. But the message that fixed investments in the U.S. are currently yielding more than 8 per cent in real terms and compare with something of the order of between 2 and 4 per cent in this country is still likely to be remembered in the medium term.

Index linked bonds are currently designed to show a real return of 2 per cent, probably a percentage point and a half below actuarial investment requirements. But who knows what the Government will have to borrow in future and what that will do to the real return on future index linked issues?

The tendency towards more aggressive management of investment funds offers little apparent impetus to a sector in which rental performance, the basis for growth or decay, has been frankly disappointing recently.

Healey & Baker turn the argument on its head, quite fairly, by noting that in contrast to an index-linked gilt, the opportunities for the property investor go far beyond passive acceptance of the performance of a stock in another's hand.

He has "the opportunity actively to work his investment by buying up or down within the tenure pattern, perhaps to refurbish or redevelop and the fruits of positive management are very real," they say.

However, the logical extension of that argument is that the distinction between prime and secondary property investments will eventually become blurred; and secondary yields have definitely risen in the period of this recession.

On balance the dangers within the property industry itself seem more powerful than outside attractions. According to Hillier Parker's latest rent index at the end of May, average rents had fallen still further behind inflation over the previous six months and were then rising at their lowest rate for five years.

Even office rentals, which broadly succeeded in keeping in touch with inflation over the last two years, are now declining sharply in real terms. The situation was not seen likely to provoke the type of mass desertion which spread through the ranks of fund managers in the early 1970s but at the same time there were clear indications that property might well be entering a less fashionable phase from an investment standpoint.

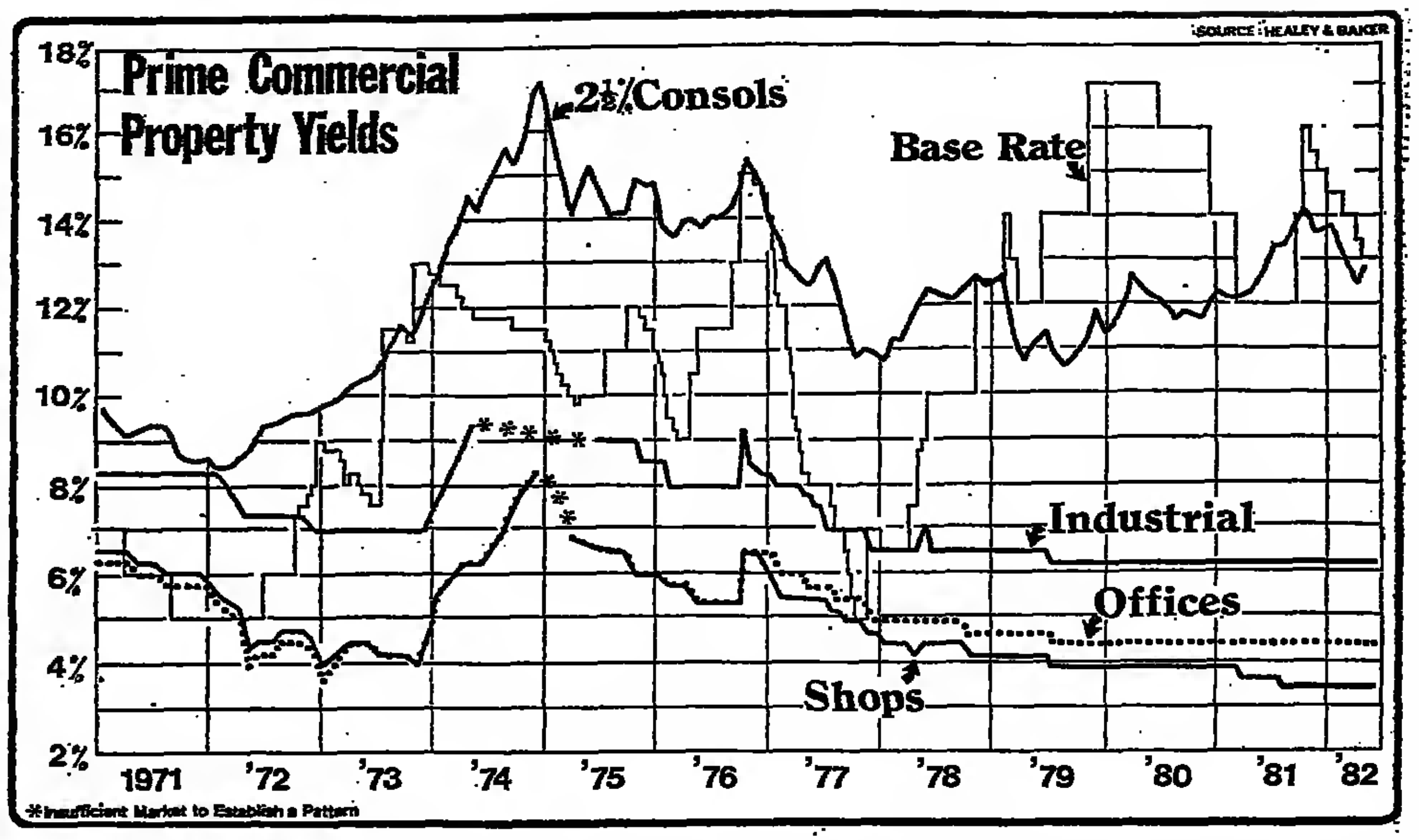
Would prime yields ease upwards in that case? Perhaps not. But the definition of what is a prime investment could narrow still further and as prime becomes secondary, the average yield on a formerly prime portfolio would rise, which amounts to the same thing.

One seeming paradox in all this is that some property professionals are arguing that now and in the foreseeable future the definition of prime should be more rigidly enforced and followed—while others are saying that the secondary market should be more closely analysed, and perhaps sub-divided so that the top end of secondary can put forward a case for institutional acceptance.

Whatever the merits of that particular argument it seems increasingly likely that performance analysis will play a more important part in property portfolio investment and management than it has done in the past.

The latest entrant into the performance stakes is St

CONTINUED ON NEXT PAGE



Abundance of grants and guidance

CHANGING politicians and changed conditions have over the past few years resulted in a plethora of grants and incentives available to companies in various parts of the UK. So moch is available, in fact, that potential recipients of such help have to struggle through a veritable maze to find out just what benefits they are eotitled to.

The biggest change in the grants and incentives system came about as a result of the 1979 General Election when the

INCENTIVES

DAVID CHURCHILL

Conservatives came to power and withdrew the map of assisted Britain. The change meant that instead of half the country receiving belp of some type, help was concentrated wbere it was thought to be oeeded most.

In addition, the Government widened the gap between wbat conld be obtained in special development areas—those narts of the country wbich have the greatest Government assistance—and in other areas.

The consequence of these changes will meao that from August this year the assisted areas will cover a quarter of the country in geograpbical terms. Until August certain interim arrangements have been in force.

Charting your way through what is and is not available would be impossible without the aid of various governmental and semi-antonomous bodies to help.

Such groups include:

● The Development Commission: this organisation aims to encourage small industries and community developmeot in rural areas. It is responsible to the Department of the Environment for the granting of advances from the Development Fond, which is voted annually by Parliament. Resources are concentrated on those rural areas which are particularly disadvantaged, called Special Investment Areas.

● The Council for Small Industries in Rural Areas is funded by the Commission and it is through CoSIRA that loans are available to companies in assisted areas and special areas. Discretionary loans of up to £50,000 for building and/or purchase of plant and equipment cao be made subject to certain conditions.

● The British Technology Group, which will invest in companies involved io technical innovation as well as the more traditional industries withio the Assisted Areas, mainly in the north.

A considerable help for businessmen seeking preliminary information of what help is available and where to go for advice is Blay's Guide to Regional Finance for Industry and Commerce. (Published by Blay's Guides, Churchfield Road, Chalfont St Peter, Bucks.)

Mr Donald Black, managing director of Blay's Guides, emphasises the need for financial assistance for industry in order to get results. "Local initiatives, ofteo started by councils and supported by local business, can be far more effective in creating viable new jobs than anything else," he says.

"But there is no substitute for even limited loans or grants to get business started or to encourage others to come."

In the assisted areas, Blay's Guide lists a number of financial incentives available. These include:

● Regional development grants: depending on the status of the area (such as a special development area), grants for new assets and production premises are available.

● Selective financial assistance: this is designed to bring forward worthwhile projects which would not otherwise go ahead and which provide more productive and secure jobs.

● Government factories: rent free periods on certain Government-owned factories.

● Product and process development scheme: this assists companies with development costs to bring new products and processes to the point of commercial prodoction.

● Microprocessor application project this assists with the cost of industrial training courses designed to train engineers in the use of microelectronics.

On top of all these grants and incentives, the Government has also set up enterprise zones in the major cities. These are areas where local authority regulations are kept to a minimum, planning decisions are speeded up, and a number of financial incentives offered.

The inner cities have secured a great deal of attention over the past year as a result of the street riots of last summer. Such attention is probably long overdue, since in the 1960s and 1970s, the trend was always towards giving aid to the regions rather than the decaying inner cities themselves.

Many of the recent government-inspired initiatives for the inner cities have sprung from the Financial Institutions Group (FIG). This group of 25 people, seconded for one year from the banks, City institutions and several private companies, was brought together by Mr Michael Heseltine, the Environment Secretary.

The major initiative to emerge from the FIG think tank has been a £70m grants scheme designed to attract private investment into the inner cities. Based on a U.S. housing and urban development project, the initiative is intended to link public and private sector funds on specific projects. Under the scheme, local authorities in 43 of the most deprived areas in England and Wales will be asked to plan investment projects in co-operation with the private sectors.

The main area of the Government's direct involvement in inner city regeneration is funding through the Urban Programme in which funds are allocated towards inner city areas, with particular emphasis on regeneration of local economies.

This year the Urban Programme is to be increased from £215m to £270m with special emphasis on voluntary sector capital projects rather than revenue provisions.

Another plank of aid for the inner cities comes from the dockland development schemes for London and Liverpool. Two development corporations—for London and Merseyside—were set up in 1980 although they are only now getting into their stride. The London Dockland Development Corporation in particular is advertising heavily on television and in the Press about the fact that such a body exists and is very much in business.

Even the prime areas feel the pinch

THERE IS nothing like a bad patch in the property business to press home all the old truisms about the benefits of quality and location.

When the going gets tough the lettings, investment and development markets inevitably gravitate towards prime and it is therefore hardly surprising that the City of London has tended to hold its own rather better than many other commercial property centres.

But the City cannot claim to have escaped the full repercussions of a recession which has driveo deep into most sectors of the property market and affected all regions. Though the most recent indications suggest that the decline in City tenant demand is over and that the search for floorspace is again picking up, there has been an undeniable decline in the volume of space take-up.

The central core of the City has remained largely immune to the market conditions around it, with tenant demand remaining reasonably firm and available space remaining traditionally limited.

Last year take-up dropped by almost 20 per cent to a little over 2m sq ft against the 1977-1978 peak of 3.7m sq ft. Any significant improvement this year looks unlikely, despite earlier suggestions that the figure could rise during 1982 to over 3m sq ft.

Demand is, of course, only one side of the equation and the predominant feature of the City market in recent months has been the rising volume of new space coming on to the letting market. The new supply of office space, comprising new developments as well as existing floorspace, appearing on the market is likely to reach around 3m sq ft this year, against 3.3m sq ft in 1981 and 3.7m sq ft in the previous 12 months. A return to a balance between supply and demand might still be some way off.

Richard Ellis recently reported that in the three

CITY OF LONDON

MICHAEL CASSELL

months until the end of March a total of 1.5m sq ft of office space became available in the City for letting, twice the amount of the preceding three months. The supply of space was at a high level for most types of office accommodation but particularly so in the case of new developments.

Total availability of office space has been running at over 3m sq ft, although around one-third has not been immediately available for occupation. There are substantial numbers of new schemes yet to reach the market and as a result the overall supply and surplus positions are expected to remain fairly constant in the medium term.

The impact on rental levels has been predictable. Rental growth last year within the City ranged from between 7 per cent and 10 per cent, with the best located prime buildings managing to register growth of anything up to 15 per cent. The market will consider itself fortunate if a similar pattern is repeated this year.

Most rental increases being recorded relate to modern air-conditioned buildings—or those refurbished to a high standard—whereas many offices are not managing to show any evidence of rental growth.

As for asking rentals, top rents in the main financial area are now being quoted by the agents at anything up to £28 a sq ft, a figure which in isolation compares favourably with office centres like New York and Hong Kong but which, with the addition of rates, represents what is arguably the most expensive office accommodation in the world.

Rates in the City of London can now mount up to a figure equal to more than half the rental per sq ft, while local taxes in locations like Hong Kong and New York are only likely to represent an additional 10 per cent loading.

For many tenants, however, the need for a City location continues to override the cost factors involved, although it is likely that the trend towards decentralising those parts of any financial operation which are location-sensitive will continue.

As for the so-called "City fringes," there are two clear views about their current state of health. The conventional wisdom is that, given the market's present weaknesses, the fringe office locations—currently the scene of a substantial development programme—will find it hard to attract tenants and even harder to attract firm rents.

The alternative view, not merely expressed by those with a direct interest in the fringes, is that the attraction of considerably lower rentals (though not necessarily lower rates) on the City's doorstep is actually improving letting prospects. Agents handling some of the new schemes awaiting tenants might beg to differ.

So what impact is the present state of affairs having on the investment market for City property? The answer appears to be none whatsoever. For it is in terms of investment that the City market looks its least vulnerable.

Whatever the short-term problems of the local market, there remains an underlying confidence in the continuing ability of City office property to provide good capital and rental growth.

There is little doubt either that the weaknesses now evident in the office market can and will be quickly overcome once the economy shows signs of any significant upturn. Confidence is the key word and the City market could, as in the past, experience a rapid increase in demand once the economic environment changes.

Some agents are already reporting a marked upturn in interest and actual lettings. Just as significantly, the time taken by occupiers to decide on taking space now appears to be shortening again, a hopeful indication that activity is set to pick up. Levels of take-up in the early months of this year were reported by some agents to have risen to their highest level since early in 1981.

There remains a large overall space surplus, however, and the market is unlikely to return to the type of rental performance recorded before the latest downturn until the backlog is removed.

Inflow remains high

CONTINUED FROM PREVIOUS PAGE

Quintin, where Stephen Sykes moved over from Richard Ellis last August to set up "Compas" — short for computerised property appraisal system.

At the outset St Quintin moved to nullify the instinctive objections of old hands in the property market. "In recent years," they said, "emphasis has been placed upon measuring only the short term performance of properties." Like the old hands, they felt that property performance over a short time scale can be potentially misleading not only because of extreme variations in lease structure between one property and another but also the inherent degree of "estimation" involved in the assessment of open-market values.

So Compas is a long and short-term system. It has cost a lot of money, and St Quintin felt it had to spend it—not only to attract new clients but also to retain those it already has on its books.

One inescapable fact about the rise of research and analysis in a particular investment sector—witness the UK equity share market as stockbrokers developed their research departments in the late 1960s and early 1970s—is that the tail can begin to wag the dog.

As research became increasingly sophisticated, analysts felt the need not only to make "sell" recommendations based on the intrinsic value of the stocks they were looking at but to show as well their courage and publicise them.

We are a long way from that stage in the UK property market. But if it does happen, even in some degree, it can only be for the long-term health of the industry.

Institutions keen to invest despite today's weak rents

THE UK retail property scene is a mass of apparent contradictions at the moment. Recession has flattened, and in some cases reversed, the trend of leap-frogging shop rents seen in the late 1970s, yet institutional investment demand seems insatiable.

"There is a decided decline in demand for space" says Mike Biddle, a partner in agents Goddard and Smith. "Fluctuations in retailers' turnover have made them very wary, unsure about whether or where to expand." But retail development carries on apace.

Hillier Parker's 1981 supplement on British shopping developments, containing details of shopping schemes of over 50,000 sq ft gross opened during the year, noted that 33 new shopping schemes opened in 1981, with a total floorspace of 4½m sq ft gross. This was the highest annual total since 1976 and represented a "considerable" recovery over the 2.9m sq ft opened in 1980.

Putting these apparently conflicting trends into perspective is helped by setting them into

SHOP PREMISES

WILLIAM COCHRANE

the proper time frame, especially where returns and lettings are concerned; by accepting that institutional investment goes for high quality and long-term prospects; and by seeing development in the context of a dynamic and restless industry which, however it has revolutionised distribution over the past two decades, still clearly feels that there are areas where its evolution can continue.

The vulnerability of rents to recessionary and other influences was demonstrated sharply, and rather sadly, by Hillier Parker's latest rent index in May, which said that rents in London's Oxford Street were then standing at only 58 per cent of their May 1980 levels.

Oxford Street is still regarded as the premier shopping thoroughfare in Western Europe, if not in the Western world. Its rents peaked in 1979; but, since then, London's tourist trade has been hit by the fluctuating pound. There has been concern too that Londoners, who once gave the street a stable base trade, have been drawn away to new suburban shopping centres.

"Oxford Street is difficult to get to," says Mike Biddle. "If you live in North London you are likely to go to Brent Cross, which is a covered shopping centre, and close by the ring road and the M1 so that bringing customers in by car is simple."

Chris Phillips of Healey & Baker takes a more sanguine line. He feels that the decline in Oxford Street rents, more severe between Oxford Circus and Tottenham Court Road to the east than in the western half of the street, has stabilised during the past six months.

He agrees that reverse premiums—meaning that existing tenants pay their successors to take on a lease—have been paid there but he does not think that rents are likely to show a further decline.

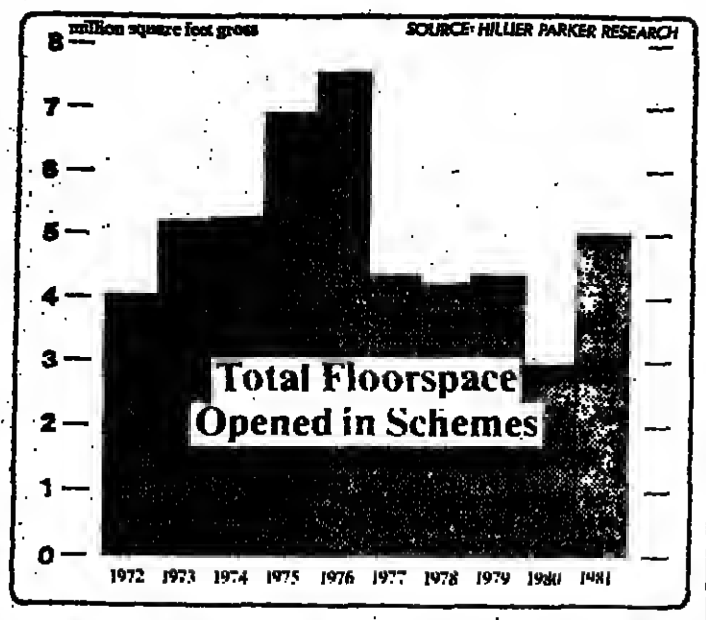
"Demand for shops in Oxford Street is extremely healthy," he says. "We are seeing a lot of interest from multiples, and good attractive smaller companies other than the small fashion and jeans retailers which were so prevalent in the late 1970s and in 1980." He is convinced that conventional High Street retailers want to come in—at the right rent.

Yet it is now, generally speaking, that the lettings market is flat. The impact of recession on consumer spending and of cost inflation including higher rates on profit margins have meant that many retailers have found themselves with property worth more than their trading operations.

Department stores groups, particularly, have seen the effects of change: ever increasing overheads; rapidly escalating and often discriminatory rates; inability to get anywhere near the same throughput as the newer self-service specialist stores; inability to reduce staffing levels. All these factors have brought about an exodus of famous names like Swan and Edgar in Piccadilly, Whiteleys in London's Queensway, Lewis's in Birmingham and R and W Forsyth in Edinburgh.

The massive retrenchment at Woolworth's, whose latest tranche of store sales is expected to raise over £90m, is another cautionary tale for potential tenants. There are those who say that Woolworth should not be written off; it still has massive turnover, a lot of traffic, the fitting out and general appearance of some of its shops is now excellent, its product range is good and its counter staff a lot better than it used to be. If that is so, newcomers might be thinking that it would be better to wait until the recession has fully run its course.

So when Healey and Baker talk about the "seemingly insatiable" demand for high quality retailing investments in introducing their latest prime commercial property yield graph—which, incidentally, sees



top shops maintaining their pole position on a yield of 3½ per cent — it has to be remembered that the institutions' definition of "prime" is very tight indeed.

"In shopping," say Healey and Baker, "yield rates are justified at their present low levels where the property can be expected to show real rental growth. Real growth can only flow from increased spending power attracted to that shopping position, be it from an increased shopping population or improved town centre management."

They add: "What is sure, however, is that if real growth is not predictable then the shopping centre should not as a whole be valued at the prime yield rate."

Just as the definition of prime seems to be changing, so is the content of shopping centre development. As far as sheer size is concerned, most of the plums would seem to have been picked. Hillier Parker's 1981 analysis illustrates the decline in the average size of new schemes over the past five years—from 232,000 sq ft in 1977 to 137,000 sq ft in 1981.

It also notes geographical change. The 1971 Census of Distribution showed 180 centres with sales of over £10m. Only one-third of 1981's openings were in these top centres, the remainder being in suburbs and new towns. In the period 1965-1978 the proportion of new schemes in top centres was 43.5 per cent.

Mike Biddle puts his finger on another difference, the retailing "mix" of the schemes which are being built. He sees the early 1970s dominated by major city and town centre schemes, after which the emphasis switched to out-of-town or edge-of-town development. Now, he says, the accent is not on regional centres but convenience (in other words, everyday) shopping, with foodshops, chemists, post offices and stationers in the van.

This and other evidence would seem to suggest that future town centre retail development will be relatively small and designed for specialist trading.

There will always be the odd exception, however, and Richard Ellis is waiting for one in the form of detailed planning permission for its new centre combining shopping, commercial and leisure uses in a £40m redevelopment programme for the St Enoch area of Glasgow.

Co-ordinated by the Scottish Development Agency (SDA) this scheme involves 260,000 sq ft of retailing space, up 55,000 sq ft from the area for which the SDA has already received planning consent; 750 car parking spaces on that part of the development; an ice rink, restaurants, exhibition and other entertainment facilities.

Roger Lucas, the retail development partner of Richard Ellis who has just been made a trustee of the International Council of Shopping Centres, views the St Enoch centre as a shot in the arm for Glasgow in terms of inner city regeneration.

This is not just self-justification, even if there is local argument about the merits of the scheme. Capital and Counties' Eldon Square development in Newcastle is said to have done a lot for the city; and, as Mike Biddle puts it: "one amazing thing about retail development is that it can work in places where nothing else does."

Long wait likely before market confidence is restored

NEARLY everybody has a favourite — or perhaps most chilling — instance of Britain's industrial degeneration.

One case concerns a modern steel finishing plant on the northern outskirts of Sheffield which is up for sale because of the transfer of the finishing operation to a site in Manchester. It would have seemed incredible even three years ago but the 300,000 sq ft Sheffield plant could be converted into a ten-pin bowling alley.

These proposals are tentative and may well come to nothing. In any case it is quite possible to over-stretch the argument which says that great tracts of the national industrial base are to be turned meekly over to leisure use or abandoned completely.

And yet, best estimates show there is a major overflow of surplus industrial and warehousing properties on the market.

King and Company, one of the agents which prepares regular calculations of available industrial floorspace, estimated last month that naturally no less than 159m sq ft of space was unoccupied.

This shows that the unoccupied rate is now treble its level in the early months of 1979, the point at which the recession may be said to have started in earnest.

The problem for potential occupants' agents and investors is to decide how much of the available space would be considered obsolescent anyway, how much space will be required when industrial production is shown to be on a firm recovery path, and how much space is now on the market after manufacturers have shed the surplus fat carried from the boom years. Put crudely, the property market has to decide the extent of permanent industrial retrenchment or what is the long term effect of becoming leaner and fitter.

King's analysts was worrying not least because it suggested that the tentative signs of recovery noticed earlier this

INDUSTRIAL

RAY MAUGHAM

year seem to have disappeared. Industrialists, like Sir Arnold Hall of Hawker Siddeley, believe demand for manufactured products is actually picking up progressively, but the upturn is slow. And the lead times inherent in what the investment purists would describe as an imperfect market strongly suppose that a pick-up demand for all types of property will not become apparent until quite late in the cycle.

Landlords and owner-occupiers will have to wait a long time before the industrial property market regains its confidence. The best that can be said is that the gloom is not completely pervasive, but the brighter pockets may be rather isolated.

The outlook is still dull for multi-tier purpose-built industrial space in the old textile, shipbuilding and steel towns in the North East and North West. Recession may have done no more than accelerate their demolition. But the comparatively new industries in plastics, light engineering and the rest have also suffered badly and freeholders in areas of traditionally high employment and income per capita are making some painful adjustments.

Their response has been necessarily aggressive. Big plants are being split to attract groups of small individual tenants. Rent free holidays are on offer in several previously bustling locations. Agents are on fat incentives to dispose of unwanted space — handsome new cars are an example. Above all, the companies are forming new property operations to market premises. Courtaulds and Guest, Keen and Nettlefolds are just two of the large quoted groups which have adopted this approach.

Various locations are losing their desirability to investors and the broking firm of Hoare, Govett defines a geographical line which "is progressively being dragged southwards."

The firm says this line might "extend roughly between the Wash and the Severn. This suggests that capital values are at least being maintained in the South East and along the West of London Corridor as it fans out towards Bristol.

Others are not sure. Another broking firm, Simon & Coates, says it has been told by "several leading agents that there is now a major question mark over prime industrial yields even in prime locations in the South East."

That question mark extends to rental growth projections. This has probably been compounding at about 11 per cent annually over the past five years in the prime sector which has failed to match the rate of building cost inflation over the same period.

Rental growth certainly seems to have been tailing off. Richard Ellis, in its 1982 survey of the UK property market, found that rents in the most sought-after areas of the South East—namely North West and West London, and further westwards along the M4—rose by some 25p to between £3.75 and £4.00 per sq ft. But in the previous 12-months accommodation of this type achieved a 75p sq ft appreciation.

For investors industrial yields are still about 6½ per cent for prime rack rented properties—a tolerable situation so far.

On this basis, yields should have increased 9.75 per cent annually to match alternative long-term investment such as a suitable government stock. Rack rented prime rental growth, as Simon and Coates illustrated recently, has been 10½ per cent over the past five years. So far so good.

Secondary properties, showing an equated yield of 8½ per cent according to the Jones Lang Wootton Index, need to show 7½ per cent annual growth to cover the opportunity cost of money, and have actually turned up 12 per cent annual growth over the past five years.

The relationship between current capital values and rental projections looks increasingly finely balanced although there are pockets of interest such as the high-tech parks around London's northern and western perimeters.

At the disadvantaged end of the scale, the Government's Enterprise Zones are in place and appear to have been well received by both local councils and tenants. At least one of the main objections has been withdrawn now the zones are clearly sited and potential occupiers are no longer confused as to which inner-city areas enjoy the rates and administrative incentives.

Meanwhile, industrial Britain is still on the ropes. There is a big, disused site in Llanelli used until recently to house two modern electric arc furnaces and melting equipment. The owners say it is close to the coast and would make a pleasant holiday camp or village. Any offers?

UK PROPERTY VI

There are wide regional differences in the demand-supply equation for commercial and industrial property. The remaining articles in this survey examine local trends and, in particular, the impact of the recession on rental levels.

Market escapes worst ravages of recession

THE UK office market may have escaped the worst ravages of the recession which has so badly mauled other sectors of the commercial property world but it cannot claim to be coming through totally unscathed.

Without doubt the office market has run up against a falling level of demand in all but a few highly prized locations. Rental growth as a whole has been either non-existent or rising at a pace well below the level of inflation.

The recent Hillier Parker rent index showed that in May overall office rents were running at a level 8.2 per cent lower in real terms than 12 months before and rising at the lowest rate for five years. Rents in London, one of the most resilient markets in the UK, could only claim to be holding their own against inflation.

Understandably, there are wide regional differences in the demand supply equation but in general terms it is the larger office units that have been hit hardest. The letting market for well located small units, say under 10,000 sq ft, is still being described as fairly healthy in all but the most depressed areas of the country.

Another developing feature of the market is the widening gap between demand for well sited modern accommodation and off-centre or older properties. Anything that is less than real prime floorspace which in more buoyant times might be snapped up reasonably quickly, is difficult to move.

Of course, virtually anything can be moved at a price. But so far, in all but a few isolated cases, rents are not being cut. Yet holding asking rents disguises what is happening behind the scenes. Developers are marketing their schemes well ahead of completion dates which is a clear signal that the market is quieter and the competition between developers hotting up.

They are also offering more financial inducements such as rent-free holidays and financial assistance towards the tenant's fitting-out costs. It may not be cutting rents but it is the next best thing.

Developers' reluctance to indulge in rent-cutting at this stage in the cycle is understandable. They are hoping for an upturn in the economy towards the end of this year and into 1983, so it might be ill-timed to start giving ground now having got through the worst part of the recession.

Moreover, the knock-on effect of rent cuts and the severe damage that can be caused to capital values—as was so dramatically demonstrated by the mid-1970s collapse—is well appreciated. So they will grit their teeth and continue to dangle other financial inducements to try and win what few tenants are around. As ever, the property agents are arguing that the upturn is waiting just around the corner.

Indeed it might not take too much of an upturn to inject some life into the office market again. While it is agreed that there is a position of oversupply in most regional centres—and to a large extent the fringe areas of the City of London are not quite the happy hunting grounds they once were for developers—there is not the massive overhang of unlet floorspace that characterised the last recession. Once activity revives unlet space could be soaked up relatively quickly, allowing rents to climb again. At least that is what the developers are hoping.

Demand is clearly set by the state of health of local industry and commerce. The Government's unemployment figures tell the tale of where the country is being hardest hit by the recession. Liverpool, for example, is a very depressed market, while on the other side of the country the North-East is dull.

OFFICES

TERRY GARRETT

One of the few areas to see a definite slip in prime office rent levels is Newcastle. Lettings have become very sluggish and there is plenty of floorspace on the market, with prime rent in the £4.00 to £4.25 area and secondary property on offer for as low as £2.00 a sq ft.

The South East is, as always the strongest region but it too has felt the cold winds of the recession and there are few areas where there is not a modest over-supply of accommodation.

The City of London office market is in relatively good health. While it has seen better times, compared to the rest of the country its problems are slight. During 1981 rent levels rose by around 7 per cent to 10 per cent, taking top rate prime property in the centre up to around £27 a sq ft. This year a similar rate of increase is anticipated and by Christmas the market could be thinking in terms of £30 a sq ft as the norm.

In the City rents have been underpinned by the seemingly insatiable appetite of the financial sector for floorspace, in particular the banks where domestic houses are expanding their international departments and overseas banks continue to enter London.

Yet while the financial sector continues to supply a steady source of demand there is growing evidence that other sectors of commerce are reviewing their needs for expensive central accommodation. There seems to be an increasing flow of companies decentralising their head offices.

Rising office costs have forced many occupiers out. The issue has come to the forefront on the back of hefty increases in rates, once only a minor consideration in terms of overheads. Figures compiled by the Chartered Institute of Public Finance and Accountancy show that rates throughout the country rose by 17 per cent last year and in Inner London they climbed a staggering 33 per cent. In combined rent, rates and service costs prime City accommodation is now working out at some £45 a sq ft.

Faced with those sort of figures even members of the financial community seem to be looking at whether they need to keep all their members in the centre. Many are pushing out into the fringe areas of London and in some cases much further. Chemical Bank, for example, announced earlier in the year its intention to move some of its London operations out to Cardiff, where it is understood to be paying only £5 a sq ft rent.

If the City centre seems healthy enough some of the fringe areas have been hit. Rents in the north east sector have hardly moved in the last year and the market is overhung by an excess of floorspace. The West End has been very quiet in recent months, with plenty of good space on the market as a result of contraction by existing occupiers and new and refurbished development coming through. Prime rents are in the £12 to £16 a sq ft area for central west and £18 to £22 a sq ft for Mayfair.

Apart from the City one of the strongest property markets in the last few years has been the Thames Valley. Companies have decentralised out of London and international organisations have been pulled into the area because of the good communication links provided by the motorway network and of course Heathrow. Variously nicknamed the "Golden Triangle" or "Silicon Valley" its expansion has been rapid.

Even there, however, the atmosphere has changed over the past six months or so. Towns which have developed a long-standing reputation for being short of prime office accommodation are now facing an oversupply. Asking rents of £14.50 a sq ft have been reached in centres like Reading but with demand easing off and a considerable amount of development still to come on to the scene the short-term outlook for rental growth looks unexciting.

A flurry of activity on prime sites in the West Midlands

Developers take long-term view

INDUSTRIALISTS in the West Midlands, the region hardest hit by recession, have consistently taken a more pessimistic view of economic prospects than that suggested by national forecasts. The latest survey by the regional office of the Confederation of British Industry contains yet another warning that there is no sign of an upturn. "We are still bouncing along the bottom and I expect it to be flat for some months to come," says Mr Chris Walliker, the regional chairman.

Orders remain low, cash flow is deteriorating and redundancies will continue. Nor is there any evidence of the stock building that would be necessary to back up recent optimistic national forecasts, says Mr Walliker.

The "realism" shown by business leaders in acknowledging that the West Midlands has suffered a heavy loss or manufacturing capacity—much of which will never return—is reflected in the present caution of the property market. But given the traumas through which many Midlands businesses have passed over the past two years, the property sector has remained remarkably resilient.

Development is predictably restricted to prime sites but there is plenty of activity as developers look to the longer term and seek to acquire land and obtain planning consents.

Office rents in general throughout the region are not sufficient to justify new building. Birmingham city centre proves the exception. There has been a recent flurry of activity with two developers moving on site with large schemes and speculation about the start of a handful of other projects.

THE MIDLANDS

ARTHUR SMITH

Midlands Correspondent

Agents Edwards Bigwood and Bewlay in their latest office survey say the massive overhang of new and modern space evident in the 1970s has dwindled to only 126,758 sq ft.

Mr Roger Ford, a partner in Edwards, maintains that one sizeable letting could cause a space shortage. "Rents in Birmingham seem set to rise substantially if lettings are achieved."

The £7 a sq ft rent level has already been breached in the prime area bounded roughly by Waterloo Street and Colmore Row. A new record is being sought by agents Shipway Doble, with St. Philips House, a 24,000 sq ft office development which includes a 3,000 sq ft banking hall. The agents are thought to be looking for more than £8 a sq ft for the property.

Just off the prime financial centre is Berwick House, a 59,000 sq ft project nearing completion at the corner of Great Charles Street and Livery Street. This development by Ulster Properties is expected to achieve a rent of up to £6.50 a sq ft.

A figure of around £7 a sq ft is likely to be sought for Civic House, an 80,000 sq ft development due for completion next spring at the corner of Great Charles Street and Summer Row. This £7.5m investment by Norwich Union takes its property portfolio in Birmingham to more than £60m.

The first of the two new projects started this year was by Tarmac, which aims to complete a 120,000 sq ft building by autumn 1984. The development, on the site of the former Post Office sorting depot, will be an important feature of Victoria Square, a noted city landmark. By the time the scheme is finished in more than two years rents are likely to be approaching £8 a sq ft.

Tarmac took the plunge to be first among a series of possible projects because of confidence in the quality of position. Equally intriguing is the move by Embassy Developments, a privately owned Birmingham-based company, which this month has quietly started work on a site at the junction of Church and Cornwall Streets. Mr Roger Holbeche, managing director, has deliberately opted for a quick-build steel-framed building with the object of having the 60,000 sq ft office block ready for occupation by August next year. He hopes that Civic House and Berwick House will by that time have been let, leaving Embassy with a clear run until the Tarmac project is completed up to 12 months later.

• The other project most likely to be coming out of the ground by the end of this year has been put out to tender by Birmingham City Council on a prime site near to the Bank of Eng-

CONTINUED ON NEXT PAGE

Mood of caution in E. Midlands

AGENTS IN the East Midlands report a flat market for both commercial and industrial property, with no improvement thought likely until the autumn at the earliest. The scale of factory and warehouse building has been cut sharply, with work confined principally to small units. On offices there is little prospect of developments of any size as the region struggles to restore the balance following the building boom of the early 1970s.

Leicester still carries the legacy of that speculative burst, with around 500,000 sq ft of office space currently vacant. Modern accommodation can be rented under special deals for as little as 50p a square foot as agents struggle to unload space. Such deals can usually be struck on blocks on the city ring road which tend to be advertised at around the £1 a square foot mark.

In the city centre the going rate is nearer £1.30 to £1.50, rising to £2.50 or even £3 for the prime sites in the New Walk professional area.

Derby, which has failed to establish itself as an important office centre, faces similar problems. Small lettings have realised £2 a square foot but major new blocks which have been on the market for years stand empty.

St Peters House, Gower Street, has 70,000 sq ft on offer in units starting at 600 sq ft. Only a fraction of the space has been let in the Heritage Gate development of four blocks totalling 180,000 sq ft. Around 13,000 sq ft in the 32,000 sq ft Saxon House block has gone, partly as the result of a special deal to attract small tenants.

The fifth floor of Saxon House has been serviced to offer tenants taking units of between 280 and 490 sq ft the use of typing and reception services. An inclusive weekly rent covering rates and service charges means that the only additional cost for tenants is outgoing telephone calls.

The scheme has tended to attract companies starting in business for the first time. A similar demand is reported in Nottingham from managers who have taken redundancy money to set up on their own.

Nottingham, as the regional capital, enjoys more respectable rents of around £4 a square foot. That, nevertheless, is not sufficient to justify significant new development. Property currently on the market tends to be in smaller blocks.

As a designated new town Northampton has enjoyed a growth in rents. Levels of around £5.50 are projected on a handful of small developments currently under way. Similarly, on the industrial side, Northampton, with the backing of a development corporation, has pressed ahead with new building.

Elsewhere in the region there is caution as the amount of vacant industrial and warehouse space climbs. The regional council of the Confederation of British Industry reports no sign of an improvement in home or overseas orders, a low rate investment and little optimism about growth prospects.

Throughout the region local authorities have been active in helping developers to assemble and service sites and many are available, often with good motorway connections.

Most building activity has tended to be in nursery units where there has been some improvement in rents. In general, however, against a gloomy industrial background, rents have tended to weaken over the past 12 months. Agents have increasingly been forced to offer special deals to keep the market moving.

Resilience put to the test

IT IS a sign of the times that even in the South East the commercial property market is suffering from a dose of oversupply in all but a few isolated locations. Demand for accommodation has weakened considerably over the last year, while rent levels are hardly moving and certainly not keeping abreast of inflation. Agents are working overtime to secure deals and the old tried and trusted financial incentives of rent-free holidays, etc., are being trotted out again.

Even so the South East is one of the most resilient regions in the country and one where institutional investors are still willing to back good developments even though they are getting a little more critical and analytical in deciding what they are prepared to fund.

THE SOUTH EAST

TERRY GARRETT

Outside of the City of London the area that has attracted most interest in recent years is the Thames Valley stretching back along the M4 motorway right to Bristol. Phrases like "Silicon Valley" and the "Golden Triangle" have been coined to describe the region where, until recently, the main problem was in finding the right property rather than finding the tenant.

The market has understandably cooled both because of the recession and the build-up of development in certain centres. Nevertheless the region still has a lot going for it. There is no need to go over the main arguments in favour of the area again but briefly, the combination of Heathrow, the motorway network and the railway links have put it in the forefront for ease of communication. It is also an area without vast tracts of older and declining industry.

Demand has been kept alive by both relocation by companies from the centre of London and a steady influx of overseas corporations. Success has proved self-feeding over the last few years and high technology industries have sprung up along the corridor. There are further more encouraging shifts of emphasis in demand by tenants. Whereas much of the earlier demand from overseas operators was for warehouse space plus some office accommodation—reflecting the region's obvious attractions as a distribution centre—there has been a growing demand for manufacturing facilities.

Yet headlong expansion cannot be expected to be sustained in a recession. The slackening of the pace has inevitably left the "Golden Triangle" glittering a little less brightly and some agents are talking of the region in terms of a myth rather than a reality. That seems a harsh verdict. The longer term future of the Thames Valley does not seem in doubt even if there is currently a phase of oversupply and sluggish rent levels.

As the spotlight fades on the west, at least for a while, the area in the south of London around Gatwick is attracting more attention. Office rents in towns like Crawley, Reigate and Horley are now in the region of £7.50 to £8.00 a sq ft against £6.50 a year ago—a significant advance but still a lot cheaper than the £12.00 to £14.00 a sq ft tenants are expected to pay for floorspace in Reading to the west.

Moreover, there is a definite shortage of good accommodation, though a couple of developments—a large one in Horley for example—should ease the congestion. British Caledonian has recently expanded in Crawley and agents Healey and Baker are currently on the look-out for 20,000 sq ft of new office space for another airline—from Europe.

The fuel developing the "fire" in the south is much the same as that which sparked such a successful run in the west—communications. How London's requirements for improved air links are finally resolved is still a matter for conjecture. But putting that aside road links are the key to the growing confidence in the south by both tenants and investing institutions. When the M25 is completed in a few years time London will be completely orbited by a motorway dramatically cutting travelling times northwards from the south and east.

The influence of the M25 on commercial property development in the region should not be understated. In a review of the motorway's impact by Nathaniel Lichfield and Partners and Goldstein Leigh Associates last year the M25 was described as "the most important development to affect London and the South East since the construction of the Underground lines."

The primary objective of the orbital motorway in the authorities' eyes was to reduce the traffic congestion in central London, in particular to divert heavy lorries away from the capital. But in diverting traffic away, the road opens up vast opportunities for areas which, in terms of industrial or office development, were previously hampered by poor communications.

For example, before the developments of the M25 it would take a truck four hours to struggle from Tilbury Docks to Heathrow. That was assuming good weather conditions and a fairly uninterrupted run along the North Circular. When the M25 is operative that travelling time could be cut to under one and a half hours.

So industry and offices will have a wide choice of "where to expand in a few years' time. But one of the main impacts could be on the distribution sector. Depending on the type of goods being handled and ultimate markets being served the distributor in the South East is likely to be faced with divergent demands. His markets may mean that he needs to be within easy reach of the GLC area, the airports, the major motorways going north and west, the Port of London (Tilbury), the Channel Ports and possibly the Freighliner terminals.

Those different requirements were irreconcilable. But when the M25 is completed a distributor can locate almost anywhere along its route or at nearby feeder roads and have good access to all those areas mentioned above. The eventual impact on demand and rent levels for warehousing space in hitherto slack areas is obvious. Equally, regions now commanding premium rents, because of their location, such as warehouses around Heathrow, may find the going a little tougher towards the end of the eighties.

New commercial development is likely to be centred on three types of location: around junctions, where the M25 will intersect with existing main routes; at fragmented sites caused by the construction of the motorway and realignment of existing roads which will make areas of land unsuitable for anything else but redevelopment; and finally in and around urban towns fairly close to the new road where unused and vacant sites could take on a whole new value.

But for the present the recession is the overriding factor. There is still a considerable over-supply of industrial property, especially of the 5,000 sq ft to 10,000 sq ft type. Agents Bernard Thorpe are not expecting any rental growth in 1982 and some older second-hand property may well be unlettable. In such cases capital values are back to "site value" for a redevelopment consideration.

Smaller premises faring the best

THE PAST year has seen increasing amounts of vacant industrial and office space appear in most cities and larger towns in the South West, with rents remaining stable or falling in some cases, but there is continuing demand for small modern factory units in most areas.

In Bristol, where the recession has only recently had significant impact, agents Hartnell Taylor-Cook report that industrial inquiries have fallen off recently, particularly for larger premises, but a significant number of local concerns have moved into smaller, more suitable space.

Units of around 5,000 sq ft in the area are now letting at around £2.25 a sq ft, while those of 3,000 sq ft or less, of good quality are available at around £3.25. "People seem happy to pay more for smaller premises if they can save something by moving out of a factory which is too large for them," one agent said.

However, there is still a considerable amount of larger, outdated factory space around Bristol, and with major new developments such as the Aztec West site becoming available, the over-supply could last for some time.

It is estimated by Hartnell Taylor Cook that there is now around 600,000 sq ft of vacant office space in the Bristol area, though much of it is not prime property. A further 600,000 sq ft of space is now under construction, reflecting the rise in rents about a year ago to around £6 a sq ft, a figure which remains the average rate at present.

Inquiries for top quality space in Bristol appear to be picking up slightly, with a fair amount of interest from companies outside the city, but it is felt that rent levels will remain stable for some time to come, despite some lettings at £6.50 a sq ft and a few asking prices of £7.

In Swindon, one of the most active centres in the South West, there is around 1m sq ft of industrial space available, the highest for some time, although much of this is in large units or older premises, according to agents Farrant and Wightman.

The largest of the units available is the 160,000 sq ft Howard Tenens depot which was vacated recently, while the 106,000 sq ft former Triumph International factory is on the market, and a 90,000 sq ft unit which Ralton Packaging was due to use is also available. Rents are around £2 a sq ft.

One of the largest developments in Swindon is now going ahead, the St Martin's Property project on 80 acres adjacent to the M4, which Hartnell Taylor Cook is due to start marketing later this year.

This low-density landscaped site is aimed at attracting high technology companies, as are a number of council-owned developments such as the 28-acre Croft campus site, which has planning permission for 300,000 sq ft of space. This has recently been boosted by a go-ahead for an important link road, to be jointly funded by the town and county councils.

THE SOUTH WEST

LORNE BARLING

There is also a considerable amount of office development space available in central areas of Swindon, notably 200,000 sq ft on the North Star site, which was earmarked for Philips Business Systems, but is now available again.

Developers are also being invited to submit plans for the 180,000 sq ft site in Newcastle Street, the former Garrard factory location, where planning permission is expected to go through on appeal.

Overall, around 150,000 sq ft of modern office space is now available in Swindon, with around 80,000 sq ft in the pipeline. In the longer term the Fleet Street improvement scheme will provide an additional 150,000 sq ft, while the Fleming Way site, being developed by Taylor Woodrow and Hambro Life, will create an additional 280,000 sq ft.

Swindon is currently attempting to attract more company administrative departments from their London headquarters, with the incentive that real rents in Swindon, including rates, amount to about £10 a sq ft, compared with around £30 a sq ft in the City.

In a number of areas of the South West, including Swindon, there is an increasing number of incentives for companies to move into industrial premises, notably phased rents which start at a fairly low level and increase towards the end of the contractual period.

Other perks include a number of free services, such as the installation of heating and lighting; the carpeting of offices and other benefits which allow companies to move in with minimum additional costs.

In the Southampton area a number of new schemes are going ahead, notably the 146,000 sq ft City Industrial Park, a joint project between Heron and the Coal Industry Nominees, while Southampton Business Park, funded by Abbey Life, will provide nearly 160,000 sq ft.

The Port Authority is releasing 17 acres of land in the Eastern Docks area for development, while a further 30 acres in the Western Docks is under discussion.

King & Co are handling two developments in the area, the Nursling Estate (for Taylor Woodrow Industrial Estates) where 30,000 sq ft of space will be available by the end of the year, and the Waterloo Industrial Estate (Espley-Tyas) which offers 11,000 sq ft. Both of these have asking rentals of £2.75 a sq ft.

Overall demand in Southampton has fallen off considerably since the near-boom two to three years ago but there is still confidence in the medium-term prospects, still partly fuelled by the offshore development prospects.

There is around 180,000 sq ft of available office space in Southampton town centre at rentals of around £5 a sq ft but planning consents on further development are being restricted for the time being. Alleyn House, being handled by King & Co, is a 1960s office block which is being rebuilt to provide around 20,000 sq ft of space, while 140,000 sq ft at Nelson Gate is now being let.

In Exeter, industrial development is on two main estates, which have around 25 acres left, but a further 50 acres is likely to be available soon. Demand has been slow recently and 5,000 sq ft units are available at around £2 a sq ft, although there is not a great deal of vacant industrial space. Office rents in the area are generally below £4 a sq ft.

Plymouth has around 500,000 sq ft of industrial space available, although much of this is around 20 years old and asking prices are low—around £1.25 a sq ft. New premises are at around £1.80, while smaller units are fetching £2.

There is about 100,000 sq ft of office space available in the city at prices around £3.75 a sq ft, although as in the industrial market premium prices are being paid for small modern accommodation.

West Midlands

CONTINUED FROM PREVIOUS PAGE

land buildings and bounded by Needless Alley, Cannon Passage and Cannon Street.

The planning brief is for around 60,000 sq ft of offices and some retail development. Agents believe the site will command a premium and that any developer will be anxious to press ahead with the project rather than incur the interest charges involved in any delay.

A clutch of other important office schemes are well advanced and could start within the next 12 months, although agents point out that the difficulty of funding projects could act as a regulating mechanism and prevent oversupply.

There have been protracted discussions over development of the old Snow Hill Station, a six and a quarter acre site with provision for around 340,000 sq ft of offices. A similarly massive scheme is planned for Paradise Circus, where Heron Corporation won the Birmingham City Council tender for around 200,000 sq ft of offices in addition to a 200-bedroom hotel, shops, leisure and conference facilities.

Rank City Wall has a scheme for a 120,000 sq ft development near to New Street Station; and Espley-Tyas has plans for around 86,00 sq ft of character offices in Newhall Street.

In Edgbaston, where there is 198,787 sq ft of new and modern space on the market according to the Edwards Bigwood survey, rents have held steady but do not justify major new building schemes. There are several projects of around 5,000 to 20,000 sq ft but the principal demand is for self-contained units of up to 2,000 sq ft which are likely to command rents of £6 or more a square foot.

Solihull and Sutton Coldfield are seen as the emerging suburban office areas but currently overhanging the market are large vacant BL office blocks. Broad Oaks House, Solihull, with 80,000 sq ft, and International House, Bickenhill, with 60,000 sq ft, are two modern office blocks with obvious attractions for companies considering a move to the West Midlands.

Industrial rents, despite the number of special incentives now on offer to attract tenants, have held up over the past 12 months. Predictably, new building has declined sharply. Such speculative developments as exist are very limited and confined to prime sites or small units.

Rents for new accommodation on prime sites will run between £2 to £2.35 a square foot, rising to £2.50 for nursery units. Secondary sites can be expected to achieve £1.60 or more a square foot.

The most significant trend over the past 12 months has been the number of industrial companies which, in the face of the decline in manufacturing, have decided to realise assets—not through straight sale but by moving into the development market.

IMI, the Birmingham-based metals and engineering company, is only the latest to announce plans to develop around half its present 220-acre site close to the Spaghetti Junction of the motorway network. Other well-known companies with similar plans are GKN, Birmid Qualcast, and Rubery Owen.

Shopping developments to the fore

Model of the Scottish Development Agency's St. Enoch development in Glasgow —one of several major schemes

SCOTLAND

WILLIAM COCHRANE

SCOTTISH property men are clearly tired of the word "recession." They acknowledge it. But they repudiate implications that the Scottish property scene is gloomy or that there is little optimism for the foreseeable future.

"Despite the recession our clients are still pumping a lot of cash into Scotland, even although it has suffered worse than some other areas," says Ted Webster of Richard Ellis in Glasgow. "Both as investors and developers," he adds, "pension fuods are proving false the criticism that they are not prepared to be market leaders."

There is evidence that the investment is becoming a little more discriminating. A lot of developers are still moving into the country and some of them are finding it harder to secure funding for their schemes than was the case a couple of years ago.

Allan Camphell Fraser, chairman of Scotland's major independent development company Developments Commercial and Industrial (Holdings), is all for discrimination, remarking that the Glasgow-based DCI is having no trouble at all in funding its own schemes.

"There bave been various developments which have heen difficult to fund," he says. "That is because they are wrongly located — speculative development in anticipation of demand which might not come." he adds, derisively. "Get them pre-let on a good covenant and there will be no problem with institutional funding."

The market place for lettings and property rents is healthy enough in Scotland—where it deserves to be. Ted Webster prefers to concentrate on the three main centres—Aberdeen, Glasgow and Edinburgh—on the grounds that provincial Scottish towns do not offer the same spread to potential investors.

With its infusion of North Sea oil money Aberdeen still takes pride of place for prime offices. Rents there are between £6 and £7 per sq ft, says Mr Webster, although £8 has been achieved for 12 Golden Square, which he describes as the city's "best refurbishment," and is let to the Royal Bank of Scotland. Yields for a good standing investment are just about 5 per cent.

The warehouse market has flattened off in and around Aberdeen, he says, but new lettings are still taking place and Ellis are seeing some increases in rental values—£2.25 a square foot for straight warehousing or £4.50 for offices associated with these schemes seem to be the current benchmarks.

Glasgow prime offices are still under upward pressure at around £6.25 per square foot now, according to Ellis, with a rise to £6.50 likely by the end of this year. The warehousing market, they aay, is still in a very difficult phase with rents steady at about £2.25 a square foot. Office yields are probably below 5 per cent while warehouse yields have risen to between 7¼ and 7¾ per cent.

The Ellis view of Edinburgh offices is still conditioned by Scottish devolution, which did not happen, and the oversupply of space which did. Rents, they aay, are steady at about £5 per square foot in a period of slack demand and warehousing is very flat, with rents at about £2 a square foot or even lower.

Ted Webster concludes that the market for the investment huyer in Scotland is very good. "Recession has pushed some properties on to the market, through sale or leaseback for example," he says. "The position for a retaining investment huyer with a lot of money offers plenty of choice."

Elaborates

Meanwhile DCI's Mr. Fraser elaborates upon, and in one instance qualifies, his basic theme of pre-let development. The company, widely expected virtually to double its profits to hetween £900,000 and £1m hefore tax for the year ending last February, bas diversified from an industrial property base since its formation in 1974 into retailing and office developments, and geographically from Glasgow to Aberdeen and elsewbere.

Current developments include 104,000 sq ft of office and retailing space in Argyll Street, Glasgow's prime shopping pitch. Here DCI has pre-let a banking hall to the Royal Bank of Scotland and has three tenants taking office space.

It will be two years, however, before the shops are built, says Mr Fraser, and the company is not thinking of marketing them in the short term. In Argyll Street shop rents rose too far two or three years ago: "Anyone coming in now," says Mr Fraser, "could dictate his own terms."

More straightforwardly, DCI demonstrated its pre-letting policy at the end of May with news of the leasing of 61,000 sq ft of its 90,000 sq ft new industrial/warehouse estate at Monklands, seven miles outside Glasgow at Coatbridge, to the Glasgow-based distributor A. Goldberg.

Only 18,000 sq ft of the site remained unlet after that, with two further units already under offer. "Coatbridge will be totally let before the builders are off the site," says Mr Fraser. "We have never yet left a site with a square foot of empty space," he adds. "We don't have any soft money, so we bave to reflect tenants' wisbes, possibly two or three years ahead."

As an observer, Mr Fraser notes a lot of institutional interest in retail investments in provincial Scottish towns like Dumfries, Elgin and Perth. Unlike Ellis (which is deeply involved) be is not happy about the Scottish Development Agency's scheme for the St Enoch area of Glasgow.

Deserts

He takes the view that planning authorities have created deserts in inner city areas—specifically by taking the population at the East End of Glasgow out to East Kilbride—and that attempts to follow the fashion for regeneration of inner city areas take the risk of replacing one desert with another.

Overall, retailing seems to be the area in Scotland for competitive development, arguments and issues. In Glasgow, at the end of March, a consortium of developers announced its intention to submit a planning application for a three-acre site on the corner of Bnchanan Street and Sanchiehall Street. The view from an unbiased observer was that the planners would find it hard to let this and the St. Enoch scheme go ahead at the same time.

In Edinbnrgh, where Princes Street has sustained a barrage of local criticism, the Reed Pension Fund is funding an adjacent 70,000 sq ft specialist retailing centre at Waverley Market. In Aberdeen three sizeable developments are on the way, although questions have been raised about the Dutch group Bredero's 340,000 sq ft scheme in St. Nicholas Street at the east end of Union Street, Aberdeen's prime shopping thoroughfare.

New shopping development clearly seems to be in the forefront of property men's minds in Scotland. They are saying that people will still have money to spend, which tends to put the current recession into perspective.

Main business centres present few sparks of life

NORTH OF ENGLAND

NICK GARNETT

Northern Correspondent

THE NORTH'S property scene presents a classic picture of the impact of recession and structural industrial change.

Developers are looking ahead with new schemes to make the most of any upturn: rent and price-juggling is going on to attract property-seekers still scarce on the ground: big mills and factories stand empty, many perhaps never to see another occupier.

In Leeds there are very few gaps in the availability of industrial space for renting and purchasing. There have been some complaints though that there is a shortage of modern purpose-built factories of medium size in suitable locations.

Developers and the institutions have been taking advantage of relatively low building costs for the construction of factory units and offices and some of them have brought forward building timetables.

Three key industries in Leeds—printing, medium and light engineering and textiles—have taken a severe buffeting in the recession. This has compounded the national economic downturn's impact by severely depressing demand from industry for new premises in the West Yorkshire city.

At the top end of the scale many big manufacturers have had their own new factory complexes specially designed and built. These include the Systime computer company and Sulzer.

Such employers — relatively big in a countywide economy notable for a profile of businesses whose workforces are small compared to most other industrial areas—are likely to continue this trend and so avoid the speculative market.

At the other end of the scale demand for nursery units is very modest indeed.

Warehousing and distribution—the areas of activity where there is a real spark of life—command higher rents than for industrial properties. For the latter these vary from about £2.75 a sq ft for nursery units down to £1.90 for premises of 20,000 sq ft. Sites of new factories and warehousing include the Latchmore Industrial Park and the Gelder Trading Estate.

There is a considerable amount of new office developments. A very large percentage of these, however, are in the 5,000-6,000 sq ft floor space range, creating an imbalance in the market. Moreover, only a few lettings were made in this range last year.

Less than 40,000 sq ft of first-let accommodation have been taken up since January, which could mean that owners and agents will be struggling to get rid of 100,000 sq ft during the whole year. A typical good year would see 200,000 to 225,000 sq ft let.

In Sheffield the growing expectancy over the past five years that the city, so dependent on steel and engineering, would succumb at least a little to the drift towards warehousing and distribution seems to have been well-founded. The trend has been accelerated by the collapse in the steel market and the severe decline in engineering output.

There has been a spate of industrial lettings and purchases though. On the Parkway Industrial Estate lets this year have included 7,800 sq ft to NEI Mining Equipment and 10,500 to the West German company Nixdorf Computers. Developers there have been encouraged enough to build another 20,000 sq ft of units.

There has been a modest stream of office lets but nothing of the spectacular nature of the "scoops" achieved by Sheffield a few years ago—Midland Bank central services and the Manpower Services Commission headquarters.

In and around Newcastle is a fairly depressing picture of a flat market. The Hartlepool and the Newcastle-Gateshead Enterprise Zones have generated a small wave of activity, mainly on the warehousing and distribution side. Quite a lot of this is simply relocation from immediately outside the zones by companies seeking to take advantage of the 10-year rate-free period. That is important to many companies who could be paying 2.48p in the pound rates outside the zones.

Of the zone areas there is probably more and varied space available in the Team Valley Trading Estate, part of which is in an enterprise zone. Much of this is speculative warehousing.

There is a market in the sale of second-hand freehold factories. Prices of these reflect the special grants available for the building of new factories in what is a Special Development Area.

Normal building costs may be £20 per sq ft but this can come down to £8 to £12 with grants. Secondhand factories generally have got to be on sale at no more than £4 to £4.50 per sq ft.

There is something like 400,000 sq ft of new and refurbished office accommodation in Newcastle and Gosforth, the two main local areas for such space.

Merseyside is marked by somewhat of an imbalance in available office accommodation but a plethora of industrial sites and premises.

There is a healthy stock of refurbished office accommodation — some of it in the spectacular-looking buildings which give parts of Liverpool's heart so much of its character. There is a shortage though of new office accommodation, with the principal exception of Imperial Buildings.

General office rents range from £4.25 to £4.50 a square foot, considerably below Manchester, where the £5 barrier has long been comfortably breached.

There is a very considerable amount of large factory premises emptied by the pressures of recession and structural change and many of these huge industrial landmarks may never bear the sound of machinery again.

Developers have been sharp enough though to plough money into speculative units to give a wide choice of newly-built accommodation if or when demand really takes hold.

The flow of inquiries for renting and purchasing of properties in Greater Manchester is now stronger than for perhaps two years.

There is a great deal of property on the market and a proportion of it is moving, though not at prime prices. Some areas—a belt of land in and around Stockport being a notable example—still enjoys stronger demand for space than elsewhere in the conurbation and Wilmslow still retains its position as a prime office location.

Industrial and warehousing rents tend to vary from £2.40 a square foot to £1.75 or lower. Demand tends to be stronger around motorways, partly because of transport logistics but also as a result of the preponderance of older and more difficult to sell properties to the east of the city, where the motorway links are not as well developed.

Some older mill-style premises have gone under the hammer for giveaway prices of 80p or less a square foot.

Sites have been moving in the Trafford-Salford Enterprise Zones, though there are plenty who say these are generating very little new employment but are sucking in a considerable proportion of new tenants from immediately over the boundary.

A site of three-fifths of an acre was sold for £40,000 and one of 1½ acres for £85,000. A 1.5 acre site with small offices went for £105,000.

ALEXANDER HAIG'S RESIGNATION

Victory for the 'team players'

By Reginald Dale, U.S. Editor, in Washington

WASHINGTON WILL be a duller place without Alexander Haig. For al his faults—and his enemies would say they are legion—he stood out as a colourful, often entertaining and invariably unpredictable character.

His contorted use of the English language and his poor jokes (a Reagan administration speciality) sometimes made it impossible to decipher the precise thrust of American foreign policy. At his public appearances, it was never certain in advance whether he was going to talk gobbledygook or actually say something quite sensible. Whether one agreed or disagreed with him, the combinations was somehow endearing—and he got a loud and obviously genuine ovation when he appeared before State Department staff and journalists, to announce his abrupt, defiant resignation as Secretary of State on Friday.

Clearly, to use one of Mr Haig's favourite words, the style of U.S. foreign policy, if not the content, is going to be different under the more consistent and level-headed Mr George Shultz, who, as it happens, is one of Mr Haig's old friends.

Al Haig often seemed his own worst enemy. Like many people in Washington, he is vain, proud and ambitious. The prohlem is that he lets it show all too obviously, often in petty ways. On President Ronald Reagan's trip to Europe ealier this month—which, in retrospect proved the beginning of the end—he is said to have complained about the seat he was assigned aboard Air Force One (the presidential jet), his position in receiving lines, his helicopter, and the rooms he and his staff were given at various stopping points.

On a hroader scale, the same characteristics made him obsessive abont the acquisition of personal power, and in perticnlar, of sole and exclusive control over American foreign policy, of which he claimed to be the "vicar."

He was the most prickly and combative member of the Reagan cabinet, getting into aggressive, and sometimes unnecessary, "turf fights" from his first day. He often seemed irritated by the fact that, under the American system, the president and not the secretary of state is the ultimete arbiter of foreign policy. He was not, as Mr Reagan expects bis staff to be, a "team player."

ALEXANDER HAIG
The lone moderate

RONALD REAGAN
Felt uncomfortable

CASPAR WEINBERGER
Former colleague of Shultz

By the end, be had become increasingly a loner. He had fought bruisingly with the White House, with vice-president George Bush, with Mr Caspar Weinberger, the Defence Secretary, and with Mrs Jeane Kirkpatrick, the U.S. Ambassador to the United Nations.

Most crucially, he had become distanced from Mr William Clark, his former deputy who was promoted to be Mr Reagan's national security adviser in January, and has since become more and more influential. Unlike his successor, Mr Sbultz (and Mr Clark and Mr Weinberger), he has never been an intimate member of Mr Reagan's Californian coterie.

"Turf fights," particularly between the State Department, the Pentagon and the National Security Council, are the rule, rather than the exception, in American administrations. But Mr Haig's personality made him stand out in a Washington in which the first requirement is loyalty to the President and the second an ability to get on with Mr Reagan's kitchen cabinet of right wing backers and advisers.

It was not, of course, just a question of personality, although that was seen as the major factor by many of Mr Haig's opponents in the White House. Mr Haig, with his reputation as the lone "moderate" in the cabinet, was intensely disliked by the influential "America first" right-wingers around Mr Reagan, who regarded him as a "wet." They thought that Mr Haig was soft on an increasingly neutralist Europe, soft on communism and particularly soft on "Red China."

But their influence is not all powerful. They are delighted to see Mr Haig go. They are not at all delighted that he is being succeeded by Mr Shultz, who is also seen as a "moderate" by the arch-conservative standards of today's Washington. "Out of the frying pan, into the fire," one of them said yesterday.

The irony is that until recently Mr Haig had been winning most of his battles in Washington. His influence could be seen in the milder tone of Mr Reagan's anti-Soviet rhetoric, the backing of Britain over the Falkland Islands and the refusal to condemn Israel's invasion of the Lebanon. Mr Haig believed that public withdrawal of U.S. backing from Israel, of which he is a strong supporter, would only stiffen Palestinian resistance, lead to even greater bloodshed and not further U.S. interests.

But a series of events in the last few days turned the scales against him. In addition to the minor irritations he experienced on Mr Reagan's European trip, which included getting on badly at a personal level with Mr Reagan, Mr Haig felt that exclusive control over foreign policy was slipping further away from him. The White House, apparently on Mr Clark's advice refused to let him accept an Israeli invitation to Jerusalem to discuss the war in the Lebanon. And, as the bloodshed mounted, Mr Reagan, Mr Weinberger and Mr Clark became more and more uncomfortable with Mr Haig's policy.

It also looked as if Mr Haig had been duped by the Israelis into believing that their forces would go no further than 25 miles into the Lebanon to establish a cordon sanitaire. The White House started conducting Middle East policy beginning to lean slightly more strongly on Israel without consulting him. In Mr Haig's view this resulted in dangerous "mixed signals" to the combatants. The White House and Mr Weinberger believe that support for Israel should not go to the extent of jeopardising Washington's relations with the Arab world.

Most humiliating for Mr Haig, however, was Mr Reagan's decision 10 days ago to extend U.S. sanctions against the projected Siberia-Western Europe natural gas pipeline by trying to prevent U.S. subsidiaries and licensees abroad participating in its construction. Mr Haig's opposition to the extension of sanctions was well known.

Since the decision, administration officials have been going out of their way to stress that it was thoroughly consistent with the line Mr Reagan has taken all along, implying that even the most simple minded could have foreseen it.

And yet it went through at a snap meeting of the National Security Council when Mr Haig was away at the United Netions in New York—a move reminiscent of President Carter's decision to launch the abortive Iranian hostage rescue mission, when the then Secretary of State, Mr Cyrus Vance, was out of town and unawares.

The administration insists that the pipeline decision is not directed against Western Europe, but against the Soviet Union, as a stepping up of sanctions in response to its behaviour in Poland. In opposing it, however, Mr Haig was being pro-European, not pro-Soviet. He certainly shared the comprehensive anti-communist gut instincts of the Reagan regime.

With his going, Western Europe has lost the best friend it had in the Reagan administration (although that is not necessarily saying very much). The compensation is that Mr Shultz is judged by those who know him to be equally sympathetic to, and understanding of, Western Europe. Herr Helmut Schmidt, the West German Chancellor is a close acquaintance, and Mr Reagan employed Mr Shultz among other things, as an unofficial roving ambassador in Europe to prepare the Versailles economic summit earlier this month.

The White House insists that the replacement of Mr Haig by Mr Shultz does not mean any change in the Administration's basic approach to foreign affairs.

What it almost certainly means, on the contrary is that Mr Reagan wants his policies carried out in a less troublesome and disputed manner. The popular Mr Shultz is a "team player." A former Treasury secretary, Labour secretary and Budget director, he has a reputation in Washington as a loyal executor of Administration policies even if he disagrees with them, and he is a member of the California Mafia.

As a former close colleague of Mr Weinberger at the Bechtel Corporation, the giant private California engineering and construction multi national, the White House clearly hopes that Mr Shultz will be able to smooth relations between the State Department and the Pentagon. That remains to be seen.

Mr Shultz will not appease those conservatives who wanted Mr Haig's head on a platter. To many of them he is even more suspect. He is on the record, for example, as opposing trade sanctions—one of the Right's favoured weapons against the Soviet Union. Nor will he appeal to the powerful Jewish lobby, which regards him, and Mr Weinberger, as anti-Israeli in the light of Bechtel's extensive links with the Arab world and Saudi Arabia in particular. He is likely to be closely questioned on the issue when he faces confirmation hearings in the Senate in two weeks' time—although his confirmation is hardly in doubt.

It is his supposed pro-Arab tilt that has prompted most of the speculation in the last two days about a possible shift in U.S. policy in the Middle East. Despite his company's connections, Mr Shultz is said to be "even-handed" in the matter.

While Mr Haig's previous experience of foreign affairs was gained primarily through his military career, Mr Shultz's international experience has been largely economic. That is a dimension which Mr Haig notably lacked. It will be all the more use in that two of the State Department's most senior experts in international economics, Mr Myer Rashish and Mr Bob Hormats, have recently resigned.

America's allies will be hoping that with Mr Shultz's arrival on the scene they will still have a friend at the head of the traditionally sympathetic State Department, but also that with less inter-departmental infighting they will have a better chance of knowing whom to believe when policy is enunciated. In the end Mr Haig lost his fight to be the sole spokesman for the U.S. in world affairs. Mr Shultz is still an unknown quantity in his new job, but he will almost certainly be much closer to Mr Reagan than his prickly predecessor.

Lombard

Job-creation by lower wages

By Ian Hargreaves

THE GOVERNMENT, it seems, is losing confidence in one of its most deeply cherished labour market theories: that Britain's youth unemployment crisis can be solved, in part, by driving down the wages paid to young people.

It may have been mainly a case of realpolitik, but Mr Norman Tebbit's agreement last week to increase the trainee allowances for the new youth training scheme from £15 a week to £25 a week is really the first concession the Government has made in this debate since systematic evangelisation on the subject began last summer.

Rates

More significantly, it was rather noticeable in Mr Tebbit's remarks in the Commons that he had nothing to say about the Young Workers' Scheme—the programme hand-crafted by Professor Alan Walters, the Prime Minister's economic adviser, which subsidises employers on condition that they employ young people at certain, relatively low, rates.

The reason for this change of tone, one suspects, is the niggling question of evidence. Department of Employment researchers are having some difficulty arming ministers with the material they need to defend their point of view in anything other than what Mr Tebbit would call a common-sense fashion.

Changes

A running sore for the Government in this research conundrum has been a Department of Employment paper called "Youth Unemployment" written by Mr Peter Makeham in 1980. That contained a statement, since featured in numerous anti-Government pamphlets on the subject, that "variations in youth unemployment do not appear to have any systematic relationship with changes in the relative earnings of young people."

The figures themselves, like most figures, are open to interpretation. Makeham's own data shows that earnings of males under 21 rose as a proportion of the average male hourly rate from 46 per cent in the mid-1950s to almost 62 per cent in 1976, before levelling off. Manpower Services Commission figures, taking the under-18s (more relevant in a sense, since 18 is the age of majority) show no change from the 43 to 44 per cent range since 1974, which is of course, when the chronic build-up in youth unemployment started.

Survey

Mr Tebbit has had his junior ministers write to some of the pamphleteers talking of updated research to the Makeham study, but his department has refused to make it public.

The latest research rat to be scented concerns the Young Workers Scheme itself, which for several weeks the Department's officials have been cheerfully stating to be too recent to have permitted any statistical analysis.

It transpires, however, that last December, during the first major batch of applications, a survey of several hundred companies was carried out, designed to test not the effect of the scheme on pay levels (it really is too early to judge that) but the extent to which it has helped create jobs as opposed to subsidising jobs which would have been there in any case.

Thus far, the department, although it now acknowledges the existence of this study—completed several weeks ago—has refused to disclose any of its findings.

Expensive

Until it does, the rest of us will be inclined to believe the rumours among the pamphleteers that the scheme has in fact "created" less than one job for every 10 it has subsidised. Which would make these young people the most expensive shelf-stackers in the history of the British grocery business.

Letters to the Editor

Housing needs more resources in the private sector

From the Director, House Builders Federation

Sir,—Your leader "Tax distortions in housing" (June 23) raises a range of issues which all deserve far more discussion than you have given them.

"Twenty years ago private individuals held broadly the same proportions of their wealth in land and dwellings as they did in company securities." The growth in home ownership since 1960, from 42 per cent to 56 per cent is described as a "none too healthy change in the pattern of investment preferences of individuals." The logical conclusion of your statement must then be that if the 52 per cent of households in rented accommodation in 1960 had remained in rented accommodation, then more individuals would now own company securities, and Britain would have a healthier economy. Or, in other words, we would have a healthier economy today if we had built more state owned dwellings and fewer privately owned houses. And/or perhaps you believe we should not have built so many houses at all?

The growth in home ownership is not "a quirk" of the British tax system. It is, in social terms, the achievement of a legitimate preference expressed by millions of individuals and it has been a deliberate policy objective sought by governments of both major parties. Nor is tax neutrality between tenures a sensible option when the whole weight of public opinion and Government policy has for years been behind the expansion of private home ownership because of its considerable individual, social and economic benefits.

"There is growing consensus outside Westminster that home ownership enjoys more than its fair share of tax relief." Where? Among which groups? There is certainly no such consensus in the nation at large, least of all among the 12m households who own their own home, the 5m more who aspire to own their own home, or the 500,000 people who have applied to buy their council house.

Shelter is among the most vocal in pointing out the extremely low level of new house building and the apparently alarming deterioration in the existing housing stock. One answer to this situation is to expand home ownership still further. This answer is not only good economic sense, but it fits in well with meeting the overwhelming desire of people in this country to own their own home. Another answer, proposed in various forms by groups such as Shelter and those on the Labour left, is to expand the rented sector, either public or private. The only problem with this answer is that it is bad economics, and will produce a result which is in direct opposition to the desires of the vast majority of people.

Housing in this country needs more resources diverted into the private sector, not less. It needs more attention to ways of making the benefits of home ownership available to those at present forced into rental accommodation, not less. And it needs less attention to be given to groups representing minorities such as Shelter and more concern for informed debate on new ways of ensuring that more houses are built of a type, at a price, and in a form of tenure which meet the needs and preferences of those who will live in them. Your contribution to this debate is, to say the least, inadequate.

J. R. Humber.
82, New Cavendish Street, W1

Accounting convention

From Mr F. Glenister.

Sir,—Mr Dickson (June 15) highlighted one of several adverse economic consequences of accounting. These are the issues of dividend cover, interest cover and taxation.

There is evidence that directors base their dividend policy on their reported accounting profits typically having, say, a 40 per cent payout ratio. It also seems likely that banks and other lenders hase their lending decisions on profit figures. Unfortunately both dividends and interest payments are cash transactions whereas the reported profits of e company, whether historic or current cost profits, bear no simple relationehip to its cash flow and hence its ability to meet these obligations. In most cases it will be found thet the historic cost profits overstate company cash flows, especially during times of either expansion and/or inflation which both demand an increased investment in working capital, while current cost profits fall somewhere in between. If one wishes to understand the underlying economic position of a company, which can not logically change according to the accounting convention used, there is no substitute for a cash flow analysis of the firm. Only such an analysis will reveal the true interest and dividend cover.

In the same way our current tax regime taxes company profits rather than cash flows, which represent the true ability of companies to pay tax or not. The various adjustments available, such as 100 per cent first year allowances, do not fully offset the difference between company cash flows and company profits. When tax paid is computed as a percentage of company cash flows it is found that different companies, even within the same industry, live in different effective tax regimes. How can this be equitable?

Mr Dickson also touches on the lack of sense displayed by directors who continue paying dividends which need to be financed either from additional borrowings or from raising new capital. There is no sense in this, especially when the payment of dividends triggers the payment of advanced corporation tax which may be unrelieved in many cases, due to the lack of mainstream corporation tax liability, thereby representing a leakage of shareholder wealth to the Inland Revenue.

Francis Glenister.
13 Pridmouth Road,
Withington, Manchester.

Cross-Channel links

From Mr A. Gueterbock

Sir,—Mr Groves (June 15) attempts to correct some of the "serious misconceptions" which were contained in my recent critique of British Steel's EuroRoute scheme for a fixed link between Britain and France.

I certainly do not have any misconceptions in respect of his oft-quoted comparison of EuroRoute with the Chesapeake Bay-Bridge Tunnel in the U.S. A more disastrous example of this type of structure would not be easy to find. Since it was built, some 17 years ago, several ships have collided with bridge sections resulting in this major transport link being completely closed to traffic for periods of weeks at a time. The longest closure, I believe, was 42 days in 1970 when a U.S. Navy vessel was in collision with the bridge.

As EuroRoute would successfully put the short-sea route ferry operators out of business, it would not be difficult to imagine the chaos which would result with the UK being cut off from the Continent for such a length of time.

Mr Groves says it is "illogical" of me to claim that a twin rail tunnel will have the same road traffic capacity as EuroRoute with its two-lane dual carriageways. I will extend my so-called illogicality a stage further, by claiming that such a tunnel would have a road traffic capacity superior to EuroRoute!

The peak hour capacity of the Channel tunnel roll-on roll-off vehicle shuttle service is conservatively estimated to be 3,500 road vehicles in each direction. The maximum peak hour capacity for two-lane dual carriageways is only 3,200 vehicles in each direction (DOE H6/74); but EuroRoute could not achieve anything like this design capacity. Traffic flow would be interrupted by toll, immigration and customs checkpoints on the first island and seriously slowed in negotiating the road spiral down to the tunnel at sea-bed level and the second spiral from the tunnel up to the other island.

The recently published Franco/British joint report on the construction of a fixed Channel link concluded "... the balance of advantage lies with bored twin railway tunnels (ie seven metres in diameter) with a vehicle shuttle service, constructed, if necessary, in phases. This solution would appear to be in the broad interests of both countries; since it would offer a secure means of transport, it would be energy saving in operating and would not adversely affect employment.

The choice, therefore, within the foreseeable future is not between a tunnel and a combination of bridges, islands and tunnels but between a tunnel and continuing to rely on the sea ferry services. There are many motorists, we believe, who would find the prospect of sitting in the comfort of their own vehicle and being "chauffeur driven" by courtesy of the Channel tunnel vehicle shuttle service for the 35-minute cross-Channel journey, not unattractive.

A. F. Gueterbock,
Channel Tunnel Developments (1981).
27 Hammersmith Grove, W6.

Knight Computer placing at 60p

THE PROSPECTUS is published today for the placing of 2.45m shares in Knight Computer *International* at 60p a share raising £1.47m for the two major founding shareholders. Following this placing of 45 per cent of the capital (there is no new money for the company) Knight will join the USM on Friday.

Knight, which is a leading computer service company supplying staff rather than hardware, is forecasting profits of £450,000 for 1982 and dividends of 1.6p a share. On this basis the pricing is pitched on a fully-taxed prospective p/e of 15.1 and yield of 3.8 per cent.

Knight was formed by Mr Jenner and Mr Sellis in 1972. Since then it has grown into one of the largest suppliers of computer personnel on a contract basis in the UK. This activity provided 93 per cent of turnover in 1981. The categories of personnel supplied include project leaders, consultants, systems analysts, programmers and operators, though the growing trend is towards specialists rather than operators.

Currently the company employs 250 people full time which are put out on a contract basis to clients. Assignments can last up to five years though the norm is somewhere between six and 12 months.

Knight's customer base takes in a wide spread of industries including banking, insurance, the oil sector and local and central government.

It also operates a small recruitment service finding permanent staff for its clients and has pushed into the consultancy field.

Within two years of starting Knight the owners branched out with an office in Amsterdam. From there Knight services Belgium, France and Germany. There is an agency agreement in Scandinavia.

In February 1980 Knight opened its first office in New York and despite a hesitant start in the nine months to December 1981 it contributed an eighth of group turnover. Overall overseas operations amounted to half group turnover in 1981.

Knight's profits record has taken a nasty dent in the past few years. In the year to March 1977 Knight made £46,000 pre-tax before exceptional items, and two years later the company was up to a peak of £399,000, inflated, the directors admit, by currency factors. In the following 12 months profits were down by just over £100,000 and in the 12 months to March 1981 Knight had fallen further to £225,000. In the nine months to December 1981 profits were back up to £208,000.

One of Knight's biggest problems was its attempt at moving into turnkey operations where the development of a new system in co-operation with a major manufacturer ended in a disaster and with Knight £100,000 out of pocket, despite litigation which clawed back sums from the manufacturer to cover the cost of reimbursing customers.

The company also estimates that the costs of setting up the U.S. project hit profits to the tune of £70,000.

Brokers to the issue are E. B. Savory Milln.

● comment

Drawn by some rather heady ratings computer companies have been popping up in the USM since its inception. Knight is broadly within the fold though slightly apart because it is a supplier of specialist personnel rather than hardware or software. It is somewhat like an employment agency providing temporary staff but without that sector's inherent problems of oversupply. For the time at least the computer industry is short of top flight specialist staff and the profit margins on Knight's type of business are far from mean. They are even better in the U.S., hence the company's push overseas. By the end of 1981 the U.S. will account for 20 per cent of turnover and the new Los Angeles office is scheduled to open around the turn of the year. Europe, in contrast, is a fairly sluggish market at present and the UK is not immune to the recession. Knight puts up a fair defence against its patchy record—the expense of setting up in the U.S. and the disastrous turnkey project. Shareholders can only hope the future will not hold more of the same. Presumably Knight has learnt some lessons. The most obvious comparison for the market is with Trident but that company's image has been dented by a recent profits slip and Knight does enjoy more of an International flavour. Anyway Knight's p/e of 15.1 and yield of 3.8 per cent betters Trident's. So it should get a fair reception though launching into a falling market is not the easiest of births.

THE TRING HALL USM INDEX
125.3 (−0.2)
Close of business 25/6/82
Tel: 01-638 1591
BASE DATE 10/11/80 100

London Shop

London Shop Property Trust and Beaumont Properties announce that proposals have been formulated for the existing £3,427,783 8 per cent unsecured loan stock 1957-97 of Beaumont to be exchanged into a new 8½ per cent stock of London Shop on a £1 for £1 basis.

William Press

The recent rights issue by William Press Group has been accepted in respect of 15.069m shares, or more than 89 per cent. The shares not taken up have been sold in the market at a premium.

Rowe Evans £6m plantation deals

ROWE EVANS INVESTMENTS will make an agreed £6.26m bid for two private plantation groups as a means of acquiring a full Stock Exchange listing for its shares currently traded under rule 163.

REI, which has plantations in Indonesia and Malaysia, announced that it will acquire the capital it does not already own of M.P. Evans and Co and Sungkai Estates.

Evans has interests in a number of plantation companies and a 40 per cent stake in an Indonesian company which owns the 2,468 hectare Kerasaan Estate. Sungkai's principal asset is the Sungei Fruit Estate in Perak, Malaysia, which produces rubber and oil palm.

REI will issue 18,963,645 fully paid 10p shares to fund these acquisitions taking the number of shares in issue to 25,065,731. It will acquire all the 1.14m £1 Evans shares other than the 91,500 it already owns, all the 75,000 5.6 per cent £1 preference shares of Evans and 75,000 ordinary £1 shares of Sunkei Estates.

For the purpose of the acquisitions REI, Evans and Sunkei have been valued at £2.21m, £5.46m and £1.84m respectively.

REI will offer 1,307 of its own shares for every 100 ordinary Evans shares, 6,781 shares for every 100 Sunkei and 232 for every 100 Evans preference shares.

REI said that the expansion of its capital base by these acquisitions would put the financing of its Simpang Kiri Estate in Indonesia, which requires further significant investment, on a firm long-term footing.

It would also establish a more favourable distribution of its investments between revenue earning assets and those intended to produce long-term capital growth, it added.

Evans currently owns 1,987,256 REI shares which would represent 7.93 per cent of its capital after the acquisitions. The board of Evans considers it inappropriate to hold shares in what would become its parent company and has sold its entire holding to institutional investors at 33p per share. On this valuation REI's offers are worth £6.26m.

Completion of the acquisitions is conditional on the granting of a Stock Exchange listing. REI expects dealing to start on July 20.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: A. G. Barr, Nenlys, Vectis Stone.

Finals: Barker and Dobson, Brown and Tawse, Country Gentlemen's Association, Electrocomponents, London and Liverpool Trust, Marshall's Halifax, Norcros, Somic.

FUTURE DATES

Interim—
TSL Thermal Syndicate .... July 2

Finals—
Equity Consort Invest. Trust ..... July 8
General Electric .... July 1
Hovenngham .... June 30
Phillips Patents .... June 30
Russell Bros (Paddington) ... July 2

Consortium take 75% of Chas. Booth

AN ANGLO-Dutch consortium is to take a 75 per cent holding in the Charles Booth property group with the aim of bringing the company to the Unlisted Securities Market later this year.

Hunting Gibson, the ship owning and management group, Hunting Associated Industries, with aviation support, engineering and surveying interests, and the Dutch mortgage bank Friesch-Groningsche Hypotheekbank will each take a 25 per cent holding.

Stockbroker De Zoete and Bevan, will offer 31p in cash for each Booth share in a deal worth £591,790, Hunting Gibson said. The two controlling directors of Booth and their wives who own about 80 per cent of the shares have undertaken to accept in respect of a block of 1.9m shares —75 per cent of the equity.

The capital injection will allow Booth to expand at a much faster rate, said Mr Stanley Newman, joint director.

F.T. Share Service

The following security has been added to the Share Information Service:—

Stewart Nairn (Section: Property).

SPAIN

1982 High	1982 Low		June 25 Price %
366	335	Banco Bilbao	332
362	290	Banco Central ...	290
324	230	Banco Exterior ...	300
337	308	Banco Hispano ...	318
115	110	Banco Ind. Cat. ...	111
367	315	Banco Santander .	332
233	180	Banco Urquijo ...	180
395	352	Banco Vizcaya ...	362
250	216	Banco Zaragoza ...	237
180	103	Dragados	103
70	60	Espanola Zinc ...	67
66.5	58.2	Fecsa	63.5
50	28	Gal. Preciados ...	29
66.2	59.0	Hidrola	62.2
53	50	Iberduero	51
104.5	73	Petroleos	76.5
101	94	Petroliber	101
40	5.5	Sogefisa	6.00
74	69	Telefonica	70.2
66	55.2	Union Elect.	56.2

EQUITIES

Issue price p	Amount paid up	Latest Renunc. Date	1982 High	1982 Low	Stock	Closing price p	+ or −	Div. p. or amount	Times Covered	Gross Yield	P.E. Ratio
‡‡	—	—	13	11	Argyll Foods Warr'ts	11	—	—	—	—	—
§250	F.P.	28/6	280	260	Assoc. Heat Services	263	−2	b9.0	2.1	4.9	13.3
46	F.P.	30/7	55	50	Bairstow Eves 5p	51	−1	b1.91	9.5	4.5	12.5
§90	F.P.	25/6	101	98	✻Black (Michael) 20p	92	—	u3.0	2.4	4.7	12.7
15	F.P.	15/4	32	19	Cambrian & Gen. 7½p	30	—	—	—	—	—
§260	F.P.	4/6	435	293	✻Cont. Microwave	420	—	b5.25	3.9	1.8	16.6
§57⅛	F.P.	—	59	54	✻Dencora	54	−1	—	—	—	—
§30	F.P.	28/6	163	140	✻Druck Hldgs.	163	—	b2.3	2.5	2.0	28.3
§87½p	F.P.	25/6	98	84	Electro-Prot. US$8.50	90	−3	uQ1.5c	8.9	0.9	12.1
—	—	—	17	10	✻Group Inv Option	12	—	—	—	—	—
§157	F.P.	—	185	150	✻McCarthy & Stone	185	+7	b5.75	2.7	4.5	10.9
§105	F.P.	2/7	121	110	✻Miles 33 10p	112	—	ud2.8	4.3	2.6	9.7
600	F.P.	2/7	630	598	Oriflame SA (US$1.50)	610	—	bQ50c	2.2	4.5	6.8
77	F.P.	14/7	97	88	✻Radio City 'A' NV	88	—	b5.6	1.5	9.1	10.3
140	F.P.	29/6	186	160	✻Ruddle (G.) 10p	186	—	b3.3	2.6	2.5	22.0
‡‡	F.P.	—	90	40	Zambia Cons Cpr 10K	50	—	—	—	—	—

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1982 High	1982 Low	Stock	Closing price £	+ or −
§100	Nil	—	7pm	1½pm	Benlox 8% Conv. Cum. Rd. Pf.	1½pm	—
‡100	£10	26/8	11¾	10½	Bournemouth Water 9% Red. Prf. '87-89	11¾	—
§99.594	£25	14/7	25½	21½	Cred. Foncier de France 14% Ln. 2007	22½	−⅛
‡100	F.P.	1/7	109¼	100¾	East Anglia Water 9% Red. Prf. 1987	101¾	—
‡‡	F.P.	—	146½	136	First Nat. 12½pc Conv. Uns. Ln. 1987	134	−3
101	F.P.	—	109	107	✻Lon&Contl 11% Conv. Sub. Uns. Ln. '95-02	108	—
§100	F.P.	9/7	101	92½	Marlborough Props. 10% Cnv. Ln. '99-2002	92½	—
98.55	£25	8/10	29	23¾	Midland Bk. 14% Sub. Uns. Ln. 2002-07	24	−⅛
‡100	F.P.	26/8	101¾	91	Mid-Southern Wtr. 9% Pref. 1987	101¾	—
§100	F.P.	—	100⅛	100⅛	Nationwide Bdg. Soc. 14¼% (25/4/83)	100⅛	—
§100	F.P.	—	100	99⅞	Do. 13⅞% (23/5/83)	100	—
100	F.P.	—	100⅛	100⅛	Do. 13⅞% (3/8/83)	100⅛	—
99.346	£25	—	24¾	24¼	New Zealand 14¼% 1987	24¼	—
‡100	F.P.	—	47	38	RIT & Northern 4pc Net Cum. Prf. £1	41	—
‡100	F.P.	—	46	45	Do. 4.7pc Net Cum. Prf. £1	46	—
‡100	F.P.	29/7	101¾	90¼	Wrexham Water 9% Red. Prf. '87-89	101¾	—

"RIGHTS" OFFERS

Issue price p	Amount paid up	Latest Renunc. date ●	■	1982 High	1982 Low	Stock	Closing price p	+ or −
10	F.P.	27/4	28/5	13¾	10	Ansbacher (H.) 5p	10¼	—
166	Nil	—	—	32pm	15pm	Applied Computer Tech.	p22m	—
170	F.P.	13/6	24/8	190	180	Bank Leumi (UK) £1	185	—
135	F.P.	28/5	2/7	180	158	Carless Capel 10p	160	—
174	F.P.	18/6	30/7	233	212	Grand Met 50p	224	−1
Kr.156	Nil	—	—	28½pm	23pm	Great Northern Tel (£10)	23¼pm	+¼
60	F.P.	24/6	13/8	58	89	Press (Wm.) 10p	91	−1
325	F.P.	17/6	30/7	449	380	Saatchi & Saatchi 10p	390	—
215	Nil	5/7	13/8	40pm	28pm	Sketchley	28pm	—
10	F.P.	24/3	23/4	12½	9½	Sturla 10p	9¾	+¼
26	F.P.	10/5	10/6	25	24	Young (H.)	26	+1

Renunciation date usually last day for dealing free of stamp duty. *b* Figures based on prospectus estimate. *d* Dividend rate paid or payable on part of capital; cover based on dividend on full capital. *g* Assumed dividend and yield. *t* Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. *u* Forecast dividend: cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. ● Figures or report awaited. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price. *p* Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take-over. ‖‖ Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ✢ With warrants. †† Dealings under special Rule. ✻ Unlisted Securities Market. ‡‡ London Listing. ‡ Effective issue price after scrip. † Formerly dealt in under Rule 163(2)(a). ‡‡ Unit comprising five ordinary and three Cap. shares. Δ Issued free as an entitlement to ordinary holders.

PENDING DIVIDENDS

Company	Date	Announcement last year
Acrow	July 28	Final 0.75
*Alexanders Discount	July 16	Int 5.5
Allied Colloids	July 15	Final 2.067
Allnatt London	July 16	Final 3.4
Associated Newspapers	July 15	Int 4.5
Ault & Wiborg	Aug 5	Int 0.5
*BPB Inds	June 30	Final 5.0
Bank Leumi (UK)	July 27	Int 3.16
Bath and Portland	July 15	Int 2.0
*Bilton (Percy)	July 26	Final 4.4
Brown (John)	July 24	Final 2.6
Barclays Bank	Aug 6	Int 10.5
*Cable and Wireless	July 13	Final due
Daily Mail & Gen Tst	July 15	Int 11.0
Davy Corpn	July 23	Final 4.7
Distillers	July 19	Final 7.75
Dixons Photographic	July 30	Final 2.179
*Dowty	July 15	Final 2.8
*Electro-Components	June 28	Final 5.5
Fitch Lovell	July 30	Final 3.71
Gestetner	July 12	Int 1.25
Glynwed	Aug 9	Int 2.45
Granada	July 1	Int 1.75
GUS	July 19	Final 9.0
*Greene King	July 1	Final 4.2
*HAT Group	July 13	Final 1.25
Haslemere Estates	July 16	Final 4.56
Hillards	Aug 3	Final 3.75
Hogg Robinson	July 21	Final 3.0
Hoover	Aug 6	Int due
Illingworth Morris	July 17	Final nil
ICI	July 30	Int 5.0
*Imperial Cont Gas	July 6	Final 8.3
Imperial Group	July 6	Int 2.75
Initial	July 20	Final 6.25
*International Timber	June 30	Final 2.0
*LRC Internatl	June 25	Final 1.8
Lex Service	July 30	Int 2.6
*Lloyds Bank	July 23	Int 8.625
Lonrho	July 30	Int 3.0
MFI Furniture	July 23	Final 1.52
Magnet and Southerns	July 14	Final 3.0
*Meyer (Mont L.)	June 30	Final 1.25
Midland Bank	July 31	Int 8.0
*NatWest	July 27	Int 9.625
*Norcros	June 28	Final 3.56
Nottingham Manf.	July 27	Int 1.1
Preedy (A.)	Aug 3	Final 2.75
*Rank Organisation	July 12	Int 4.8
Rentokil	Aug 5	Int 1.08
Rothmans Ind.	July 16	Final 2.65
*SGB	July 9	Int 2.3
*Scottish & Newc. Breweries	July 1	Final 2.675
Thorn EMI	July 10	Final 10.575
Unigate	July 16	Final 4.0
*Union Discount	July 21	Int 9.0
Vantona	July 28	Int 3.0
Wagon Industrial	Aug 4	Final 3.0

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast.

LADBROKE INDEX
Close 548-553 (−3)

Public Works Loan Board rates

Effective June 23

Years	Quota loans repaid ‡	by EIP†	At maturity§	Non-quota loans A* repaid ‡	by EIP†	At maturity§
Up to 5	13¾	13⅞	14	14¼	14⅜	14½
Over 5, up to 6	13⅞	13⅞	14⅛	14⅜	14⅜	14⅝
Over 6, up to 7	13⅞	13⅞	14⅛	14⅜	14⅜	14⅝
Over 7, up to 8	13⅞	14	14	14⅜	14½	14½
Over 8, up to 9	13⅞	14	14	14⅜	14½	14½
Over 9, up to 10	14	14	14	14½	14½	14½
Over 10, up to 15	14⅛	14	14	14⅝	14½	14½
Over 15, up to 25	14	14	14	14½	14½	14½
Over 25	14	14	14	14½	14½	14½

* Non-quota loans B are ½ per cent higher in each case than non-quota loans A. † Equal instalments of principal. ‡ Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

EURODEPOSITS

Liquidity shortage upsets traditional rate pattern

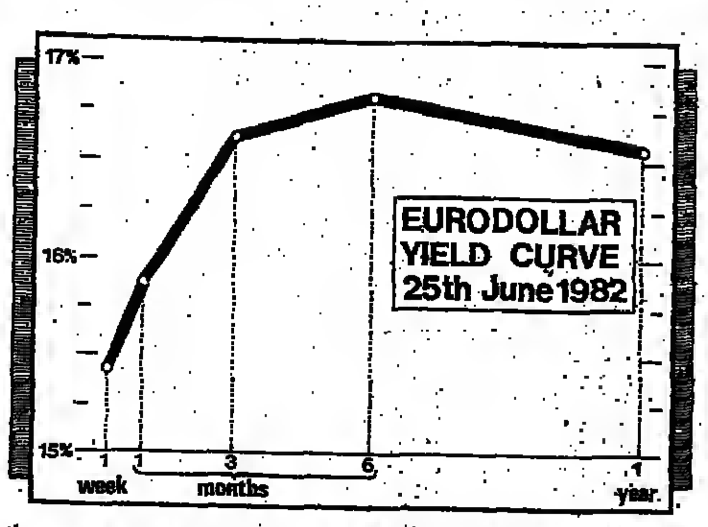
VENEZUELA's decision three weeks ago not to raise a Eurocredit on margins related to U.S. prime rates turns out to have been curiously ill-timed.

Venezuela rejected the credit on the basis of the conventional Euromarket wisdom that prime-based borrowing is more expensive than that based on the London interbank offered rate for Eurodollars (Libor).

Normally Libor stays below prime, sometimes by more than half a point and, although precise differentials are a matter of great controversy, one U.S. bank economist calculates that the difference between average prime rates and average Libor in the two years to May was actually greater than 1 per cent.

Yet since the Venezuelan decision, the twn rates have moved unusually close together. Friday even saw the rare phenomenon of six-month Libor being quoted at 16¾ per cent, which was above the prevailing prime rate of 16½ per cent.

In part this merely reflects the technical situation in the market. The two rates have always tended to move cloaer together at times when interest rates are rising and this is all the more true nowadays since U.S. banks seem to regard prime as less of a benchmark rate which has to be altered rapidly in response to market developments than they once did.



Distorted relationship

The chart shows bow expectations of a further rise in interest rates bave distorted the relationship between three- and six-month Eurodeposits and very short-dated periods. For much of the past two weeks there has been a gap of some two points between six-month rates and overnight money as investors anticipated an imminent rise in the whole rate structure.

Once the markets have settled down, this gap should narrow again, and as the prime rate should have also moved back in line with the market, some bankers expect a reversion to the previous relationship between prime and Libor.

Other bankers argue, however, that underlying factors in the Eurodeposit market may lend a more lasting quality to the present distnrtion of the traditional relationship between prime and Libor. Basically, liquidity in the Eurodeposit market, which is the lifeblood of the Eurocredit market, is much tighter than it was a year ago, they say.

Fewer OPEC funds

The most obvinus reason for this is the smaller supply of Opec surplus funds to the market, which has not been accompanied by any reduction in borrowing requirements since many sovereign borrowers face large interest bills on their foreign debt and are finding it difficult to maintain exports in a world recession.

Some central banks have actually been drawing down their liquid reserves in the Euromarket as loans bave become harder to obtain, and this bas bad the effect of exacerbating the evaporation of Opec liquidity. A similar process has also been seen with corporations, where casb flow bas been hit by high interest rates.

Meanwhile the market has become much more quality conscious in the wake of the well-publicised debt problems of Eastern Europe and the Falklands crisis. The flight into quality which has long been a feature of the Eurocredit market is now also a factor in the short-term Eurodeposit market, bankers say.

One U.S. bank reports, for example, that institutional customers have shifted deposits out of the Eurodollar market and into the "safe haven" of U.S. Treasury Bills. This is despite a relatively large yield differential, which on Friday saw three-month U.S. Treasury Bills trading some 3.6 points below similarly dated Eurodeposits.

Bankers stress that there is nothing resembling a full-blown credit crunch in the Eurodeposit market. Yet there has been a marked increase in what the jargon calls "tiering", in which some banks have to pay substantially more for their deposits than others.

This bas particularly affected banks from developing countries, and especially Latin America in the aftermath of the Falklands crisis. Ironically, it is precisely the banks which are now being penalised in this way to which the bigger Euromarket banks often turn in their efforts to place large syndicated credits for Latin American governments.

Peter Montagnon

INTERNATIONAL BONDS

Quality issues attract bargain hunters

IS THE Eurobond market's shake-out over? Not just yet, according to a number of new issue managers, dealers, and institutional investors.

After a month of steadily declining bond prices and rising yields, the worst may be past, but the Euromarket is still sick. Eurodollar bond prices have fallen by nearly 8 points since the beginning of this month, the Euro-D-mark bond sector by more than 4 points, and the Swiss franc foreign bond market by around 3 points on average.

The main result of all this—beside the trading losses and sleepless nights which many Euromarket participants have been suffering—is that several quality bonds are now selling at attractive prices. The bargain hunters have started to pick and choose.

The large institutional investors who manage billions of dollars of funds appear to be buying selectively, underscoring again the increasing quality-consciousness of the Euromarket. With this in mind, many in Europe have welcomed the news that Standard and Poor's will begin rating Eurobonds immediately.

The yields on several quality Eurodollar issues are now between 15½ and 16½ per cent and it is these bonds which are attracting the buying interest. One European institutional investor with well over $1bn worth of funds put it this way last week: "There are only two ways this market operates—out of fear or greed. We are now in the fear phase and it is time to buy heavily where there is cheapness and quality."

This investor, like many dealers, believes that the sell-off has been overdone. This is not to say that the market is heading for a major rally, but rather that the knock-down quality issues must not be missed.

Alongside the quality bargains, however, are the Triple B and Single A-rated issues now yielding close to 17 per cent. Nothing illustrates the two-tier market as well as the experience of Morgan Stanley with its Ohio Edison five-year $50m bond.

The Ohio Edison paper—rated triple B-minus by Standard and Poor's and single B-double-A by Moody's—carried an initial coupon indication of 16½ per cent at a discount price. It was priced last Thursday at 17½ per cent and par. The issue was increased to $75m and Morgan Guaranty was brought aboard as a co-lead manager.

Morgan Guaranty is said to have taken care of more than $30m of the Ohio Edison issue, thus helping it along. The 17½ per cent coupon did the rest.

Back in the premier quality range, some French names appear to have suffered from the strength of the U.S. dollar against the French franc. This has encouraged European investors looking for exchange rate gains to sell the bonds of French state entities whose credit rating may be affected by an increased debt service burden.

The Electricite de France 11½ per cent 1990 issue appears to bear this out. A large selling order on Friday brought the EDF issue down ¾ points to 77¾, yielding 16.41 per cent. The order is said to have come from the Continent.

Likewise, the Caisse Nationale des Telecommunications (CNT) 9½ per cent 1986 bonds have lost around 2½ points over the past fortnight and stood at 81¾ last week before the bargain-hunters started buying again.

Where else were the bargain-hunters active? Zero-coupon bonds, having been knocked for six like everything else in recent weeks, are again attracting substantial interest. Arco's zero issue increased 1½ points to 26¾ by Friday, while the Campbell Soup zero bond went from 24½ bid to 26½ bid last week.

Meanwhile, the West German foreign bond market remains in the doldrums. The two-week freeze on new issues expired on Friday, but few offerings are expected, given the state of the market.

Alan Friedman

CREDITS

French borrowers see advantage in ECUs

SAINT-GOBAIN-Pont-a-Mousson, France's newly-nationalised glass conglomerate, is raising a seven-year credit in the Euromarket denominated entirely in European currency units.

The credit, which is led by Banque Nationale de Paris and Morgan Guaranty, is for a sum of ECU100m and bears a margin of ½ per cent for the first five years rising to ⅝ per cent for the remaining two. Repayments begin after five years.

Saint-Gobain already uses the ECU for its own internal accounting, but its use of the European Community currency unit for this transaction reflects some deeper-rooted advantages for French borrowers at the moment.

Since the ECU already bas a French franc content, French borrowers who use it are running a less painful exchange risk than if they borrow dollars. The French anthorities recently exempted ECUs from domestic credit control restrictions as part of an effort to encourage their use.

Yet deals denominated in ECUs have remained relatively rare in the Eurocredit market, despite a growing use of the unit as a bank deposit medium. Funding the operation could cause problems for participating banks if at the rollover date they had no access to ECU deposits. Lead managers will undertake to make the ECUs available if necessary to cover this eventuality.

The composition of the ECU could also change during the lifetime of the credit, and for this reason banks are being offered sligbtly higher margins on the Saint-Gobain transaction than would normally be expected on French state-sector loans.

But France also bas a political commitment to the development of the ECU in commercial transactions, and three large state sector banks are looking at ways of encouraging its use by aetting up a clearing bouse facility for ECU deposits.

The French credit was one of the few new developments in the Eurocredit market last week. Elsewbere in Europe, a mandate for Greece's Public Power Corporation was still awaited on Friday, a week after bids bad been submitted.

Business has already slackened markedly ahead of the summer boliday period, and the slow-down seems more complete than usual this year because of nervousness over the creditworthiness of Latin American borrowers.

Another trouble spot, Eastern Europe, is also coming slowly back into the limelight. Romania last week repaired its relations with the International Monetary Fund, which could speed up its rescheduling talks with commercial banks, while Polisb debt negotiators are to meet the banks again in the first balf of July.

These talks, to be held in Vienna, will involve preliminary work on a 1982 debt rescbeduling agreement. They are going ahead even though Western governments still refuse to discuss official debt rescbeduling.

Poland nwes Western banks aome $2bn this year, while governments are owed around $3.5bn. The country bas paid no interest on its foreign debt for 1982, however, and the banks are likely to press for some interest payments at the Vienna talks even though Poland bas said that it wants to canitslise interest due in any 1982 rescheduling agreement.

P.M.

CURRENT INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Lead manager	Offer yield %
U.S. DOLLARS							
Ohio Edison‡	75	1987	5	17½	100	Morgan Stanley, Morgan Guaranty	17.250
BNP**†‡	75	1994	12	5¼Φ	100	Samuel Montagu	—
CIBC†‡	200	1994	12	5¼Φ	100	CIBC, Hambros Bank	—
SWISS FRANCS							
Nippon Carbon**§‡	35	1987	—	6¾	100	CS	—
Sumitomo Heavy**§‡	50	1987	—	6¾	100	SBC	6.750
Gillette Ovs. Fin.**‡	45	1988	—	6¾	100	SBC	6.750
Sperry Curacao NV**‡	100	1989	—	7	100	UBS	7.000
World Bank‡	100	1992	—	7¼	100	CS	7.250
OKB	100	1992	—	*	*	Wirtschafts-und Privatbank	7.125
STERLING							
New Zealand‡	100	1987	5	14½	99.345	SG Warburg	14.456
ECUs							
EIB	40	1989	6	13¾	*	Kredietbank Intl., Soc. Gen. de Banque	*
KUWAITI DINARS							
OKB‡	7	1987	5	12¾	99¼	KFTCIC, KIIC, KIC	12.821
YEN							
Procter and Gamble‡	20bn	1993	9.03	8.6	100	Daiwa Secs.	8.600

* Not yet priced. ‡ Final terms. ** Placement. † Floating rate note. Φ Minimum. § Convertible. Note: Yields are calculated on AIBD basis.

NEW YORK BONDS

Voracious Treasury to test market

THE CREDIT market will be tested again this week by the U.S. Treasury, which plans to sell $4bn of new four-year notes tomorrow, to be followed by a further $4bn of seven-year notes on Thursday—on top of a regular $9bn weekly auction of three and six month bills today.

Moreover, although the Treasury will not be selling its regular weekly bills on Friday because of next weekend's Independence Day holiday, it will sell a larger package than usual of three and six months bills the following Tuesday, when the markets will reopen.

Instead the customary $9bn the Treasury is planning to sell as much as $10.6bn in short-term bills.

These imminent auctions are an hors d'oeuvre of worse things to come for the market. Treasury financing requirements in the second half of this year are expected by some market participants to reach as much as $100bn, if not $110bn.

The Treasury auctions this week will give a further clue to the ability of the bond market to absorb such voracious government financing demands. The Government has already all but crowded out corporate borrowers, while utilities have been forced to continue borrowing long, with issues priced to yield in the 16 per cent range.

After the dismal reception given to the June Treasury auction of $5.5bn worth of two-year notes, which drew only $9.1bn in bids compared to $13.3bn in a similar auction in May, the market clearly needs all the good news it can get to survive this week's Treasury sales.

Some good news came last Friday when the latest weekly money supply figures showed a decline in M1 of $2.3bn—far greater than the $1bn decrease which the market had anticipated. But even this, coupled with signs that the economic recovery will be fragile and will thus put less pressure than expected on borrowing, did little to lift the market's spirits.

M1 and the broader M2 measure are now running just above the upper range of the Fed's targets this year. But the market is increasingly concerned that the Fed, which has so far tolerated the deviations in the aggregates, may feel compelled to tighten up in the face of the widely expected bulge in monetary growth in July. This is likely to result from a number of special factors, including large cost of living increases in Social Security payments.

The Fed is again coming under pressure from its critics in the Reagan Administration for failing to maintain the growth of the aggregates on a stable course. And a renewed spurt in M1 next month could prompt the Fed to take some action to correct any new money supply bulge.

With Fed funds still trading for seasonal and technical reasons in the uncomfortably high 14-15 per cent range, the market will be watching with more care than usual the Fed's market operations in coming weeks. Indeed, the Fed's Open Market Committee is due to meet later this week to set not only short-term money supply targets but also the preliminary longer term targets for 1983.

In general, the market does not expect the Fed to change its current posture, although it could possibly raise the upper limit of its current M1 target band for this year, which is at present 5½ per cent.

Nonetheless, with the Administration breathing down the Fed's neck, the market fears the central bank may decide to eventually tighten or at least not to change the current target range. And this, despite the need to adjust to the savings account factor, could be perceived by a highly nervous market as a sign that the Fed's monetary resolve was weakening. Against this background, everything appears to continue to argue for high U.S. interest rates—for the time being at least.

Paul Betts

U.S. INTEREST RATES (%)

	Week to June 25	Week to June 18
Fed. funds wkly. av.	14.35	14.38
3-month Treas. bills	13.65	12.87
3-month CD	15.51	15.00
30-year Treas. bonds	14.14	14.18
AAA Util.	15.50	15.13
AA Industrial	15.00	15.63

Source: Salomon Brothers (estimates). In the week to June 15 M1 fell $2.3bn to $451.6bn.

U.S. INSURANCE

Tax ruling threatens new life policies

THE U.S. life insurance industry has been thrown into a refined tizzy in the past fortnight by a ruling from the Internal Revenue Service (IRS) which appears to threaten two of the hottest products on the market.

In the first quarter of this year, U.S. insurance companies sold some $600m worth of "universal life policies," compared with $700m in the whole of 1981. That still accounted for only about 5 per cent of total life premiums in the latest period but, with the major insurers now climbing on to the bandwagon, there seemed every chance that the market share would grow substantially in the years to come.

A universal life policy essentially splits the insurance and savings element of a traditional contract into two parts. The insured pays one amount for insurance coverage and the commission, while the rest of the premium is invested into a high-yielding fund where it can generate a money market type return, tax free.

At a time when traditional low yielding life insurance products have been hammered by the competition brought on by high interest rates, universal life schemes have been welcomed by some insurers.

Another big seller has been the single premium tax deferred annuity. This is a lump sum investment which builds up interest that is untaxed until the buyer begins to withdraw the money some years later.

These products have been boosted by high interest rates and uncertainty about the future of social security in the U.S. Baldwin-United, a Cincinnati-based financial conglomerate, sold $1.56n worth in 1981, up from $233m in 1980.

But the IRS has now stepped in. Excess interest—which is generally taken to mean any return of more than 4 per cent a year which is credited to life insurance reserves for certain deferred annuity contracts—is a distribution similar to a dividend, the IRS said in a ruling last week.

Insurers therefore might not be allowed to claim a tax deduction on the excess interest element. Similar constraints might also apply to that part of a universal life contract which is not guaranteed by the insurer—the interest in excess of 4 per cent.

Most companies claim it is too early to say exactly what this will mean to policyholders. They point out that existing business is not affected since the IRS has promised not to apply the ruling for five years to policies existing as of last Monday.

Massachusetts Mutual, one of the top 20 U.S. life companies, says the ruling means, in effect, that if an insurer wants to retain a measure of discretion about how much it pays over to the policyholder, the price for that freedom will be that the payment is not fully allowable for tax purposes.

The specialists in tax deferred annuities are also maintaining a calm front. Baldwin-United suggests that its extra tax costs this year might reduce its earnings only by about 25 cents a share.

Since analysts projected an increase from $7.50 to $11 a share before the news, that does not sound like too grave a blow. All the same, Baldwin's shares have slumped from $60.5 to about $51.5 in the past fortnight.

The Treasury Department, which is responsible for tax policy in the U.S., says it is not opposed to tax deferrals. But it adds that it had become concerned that some companies were developing products which would permit deferrals to be exploited more broadly than before, but the practical importance of the IRS ruling will probably depend on the fate of insurance tax legislation which is now pending on Capitol Hill.

Richard Lambert

Kanebo kept in the red by provisions

BY YOKO SHIBATA IN TOKYO

KANEBO, THE Japanese textile manufacturer which has been diversifying into food products, pharmaceuticals and cosmetics, has reported a 4.35 per cent jump in unconsolidated pre-tax profits to Y1.1bn ($4.2m) in the year ended April 30.

During the year, the company absorbed three wholly-owned non-textile subsidiaries, Kanebo Cosmetics, Kanebo Dior, and Kanebo Dior Monsieur. As a result, Kanebo's total turnover gained Y20.5bn, or some 8 per cent, to reach Y276bn ($1.1bn). After putting aside provisions against loan losses and reserves for pensions, the company fell into a net loss of Y1.9bn, compared with the previous year's net deficit of Y639m.

Net loss per share was Y4.72, compared with the previous year's deficit of Y1.62. As a result the company is again not paying a dividend.

Cotton sales accounted for 8.1 per cent of total sales (down 6 per cent); wool for 13.3 per cent (up 7 per cent); polyester for 15.8 per cent (unchanged); nylon for 10.5 per cent (down 9 per cent); and acrylics for 7.1 per cent (down 16 per cent). Among the group's non-textile interests, cosmetics accounted for 30.5 per cent of sales (up 29 per cent) while pharmaceuticals made up 3.7 per cent (up 15 per cent).

Exports rose 10 per cent to make up 18.4 per cent of sales.

Higher profitability in the polyester division made up for less profitable operations in other textile products. In the current year Kanebo expects an improvement of profitability in cosmetics, and fashions, and in the wool market.

Full year pre-tax profits are expected to reach Y2bn, up by 85 per cent from the previous year, on projected sales of Y309bn.

INTERNATIONAL APPOINTMENTS

Chief for MasterCard worldwide division

● Mr David M. L. McWilliam has been appointed head of the international division of MASTERCARD INTERNATIONAL, New York, from August 1. He is an assistant general manager at Midland Bank with responsibility for overseas treasury operations and is a former managing director (banking) of the Thomas Cook group. He was seconded to Euro Travellers' Cheque International as chief executive during 1980 and 1981. Mr McWilliam will be based in London and will be responsible for MasterCard's worldwide operations outside North America. He will co-ordinate MasterCard's relationships with its international partners, including Eurocard, Access and ETCI in Europe, FinCorp in the Middle East and Million Card, Union Credit and Diamond Card in Japan, as well as other partners in the Far East and Latin America.

● Mr Jaakko Lassila, managing director of the POHJOLA GROUP, will as of February 1, 1983, join the Kansallis-Osake-Pankki to become chief general manager. From the same date, Mr Pentti Talonen, who has been a member of the supervisory board of Pohjola Insurance Company since 1974, will succeed Mr Lassila as managing director of all the companies within the Pohjola group. Mr Talonen is managing director of a clothing company.

● Brigadier General Richard W. Pryor (USAF Ret.), of the Defense Communications Agency has succeeded Mr John B. McKinney as president and general manager of ITT WORLD COMMUNICATIONS INC., a unit of International Telephone and Telegraph Corp, New York. Mr McKinney has been named ITT Worldcom chairman, succeeding Mr George F. Knapp, who has assumed responsibility for ITT's European telecommunications and electronics interests as director of market and product management. Mr McKinney had been the company's president since 1980 and general manager since 1977.

● Mr Robert J. Bishop has been named manager of European automotive glass operations for PPG INDUSTRIES. Mr Stanley C. DeGreve succeeds him as manager of PPG's Tipton, Pa., automotive glass fabricating plant. In the new post, Mr Bishop is responsible for co-ordinating the firm's auto glass activities throughout Europe. He will be located in PPG's European glass office in Paris.

Mr R. J. Nelissen, Mr M. J. Drabbe and Mr G. E. London

● Mr O. Vogelenzang, chairman of the board of managing directors of AMSTERDAM-ROTTERDAM BANK will retire on June 1 1983, the date at which he will resign as chairman of the Netherlands Banking Association and the Council of the Joint Dutch Banks. As chairman of the board of managing directors he will be succeeded by Mr R. J. Nelissen, currently vice-chairman of the board. Managing director Mr A. Vermaak will also retire, in his case on March 30 1983, after having taken part in the management of Pierson, Heldring and Pierson and later of Amro Bank for many years. Mr M. J. Drabbe and Mr G. E. London, both general managers of the company, have been appointed managing directors from March 30 and June 1 1983 respectively.

● U.S. INDUSTRIES, INC, Stamford, has elected Mr B. J. Garet senior vice-president in charge of the corporation's building materials group.

● Mr Jurgen Lindeman, vice-president of BANKERS TRUST COMPANY, London, has been appointed head of the resources management department of Bankers Trust GmbH, Frankfurt, wholly owned West German subsidiary, where he will assume responsibility for the foreign exchange and treasury function. Mr Philip Davies has joined Bankers Trust from Citibank, London, as vice-president to head the London office foreign exchange trading desk.

● Mr F. A. G. Kraak will leave FOKKER, Amsterdam, from July 1 when he becomes director of COSSO, Society of Computer Service and Software Bureaux. He has been employed at Fokker, as director corporate strategy and planning since 1980. Before Mr Kraak joined Fokker, he was working with IBM Holland as general director.

● Mr Piet A. Vandermeersch, vice-president, has been named manager of the Amsterdam branch of CONTINENTAL ILLINOIS NATIONAL BANK AND TRUST COMPANY. He had previously been manager, international banking services, for Continental Bank, Antwerp.

● NATIONAL GYPSUM CO, Dallas, has elected Mr John P. Hayes to the newly created position of vice-chairman and Mr Edward J. Killian as president and chief operating officer. Mr Hayes previously served as president and chief operating officer and has been a member of the board since 1970. Mr Killian was group vice-president and has been a member of the board since January.

● Mr David A. Lattanzio has been elected to the newly-created post of vice president-systems, planning and analysis for STAR-KIST FOODS, INC, Los Angeles, an H. J. Heinz Company subsidiary.

● DI GIORGIO CORP, San Francisco, has elected Mr Peter F. Scott president and chief executive officer succeeding Mr Robert Di Giorgio who continues as chairman. Mr Scott had been vice president and chief financial officer.

● R & H HALL Dublin has appointed Mr Neville Whitehead as vice chairman. He has been a director since 1966 and is presently managing director of Alexanders Partners, London, a wholly-owned subsidiary. He will also take responsibility for the trading operations and commercial development of the Cork and Watford area in Ireland, from July 1.

● WOOD, MACKENZIE & CO (WM) has broadened its coverage of the international oil industry with the appointment of two senior analysts at its New York office. Mr Noel Casey and his assistant Mrs Erlinda Canlas, both specialists in the U.S. energy scene, join WM's New York Office from Prudential Insurance Company of America.

FT INTERNATIONAL BOND SERVICE

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aetna Life 15 86/97 ...	150	98½	99¼	+0⅛	−0¼	15.35
Amax Int. Fin. 16¾ 92	75	96	96½	+0⅛	−1⅞	17.01
Amax O/S Fin. 14½ 89	75	93¾	93¾	+0⅛	−0⅛	15.84
APS Fin. Co. 16¼ 89 ...	75	98¼	98¾	−0⅛	−0⅛	15.56
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
EIB 8¾ 92	15	96⅞	97⅞	0	−0⅛	8.67
Int.-Amer. Dev. 8⅞ 91	15	101⅞	102⅞	+0⅛	+0⅛	8.58
Japan Airlines 7⅞ 87...	9	96	95½	0	−0⅞	9.15
New Zealand 8¾ 87 ...	15	99¾	100⅛	+0⅛	+0⅛	8.47
World Bank [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0	8.54

Average price changes... On day 0 on week −0⅛

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day 0 on week +0⅛

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

EUROBOND TURNOVER

(nominal value in $m)

	Cedel	Euro-clear
U.S. $ bonds		
Last week ...	3,473.3	3,062.7
Previous week	4,144.3	11,642.6
Other bonds		
Last week ...	767.1	593.4
Previous week	1,082.3	841.4

* No information available—previous day's price.

† Only one market maker supplied a price.

STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn = The current coupon. C.yld.=The current yield.

CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price = Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

The list shows the 200 latest international bonds for which an adequate secondary market exists. The prices over the past week were supplied by: Kredietbank NV; Credit Commercial de France; Credit Lyonnais; Commerzbank AG; Deutsche Bank AG; Westdeutsche Landesbank Girozentrale; Banque Generale du Luxembourg SA; Banque Internationale Luxembourg; Kredietbank Luxembourg; Algemene Bank Nederland NV; Pierson, Heldring and Pierson; Credit Suisse/Swiss Credit Bank; Union Bank of Switzerland; Akroyd and Smithers; Bank of Tokyo International; Bankers Trust International; Chase Manhattan; Citicorp International Bank; Credit Commercial de France (Securities) London; Daiwa Europe NV; Deltec Securities (UK); EBC; First Chicago; Goldman Sachs International Corporation; Hambros Bank; IBJ International; Kidder Peabody International; Merrill Lynch; Morgan Stanley International; Nikko Securities Company (Europe); Orion Royal Bank; Samuel Montagu and Co.; Scandinavian Bank; Societe Generale Strauss Turnbull; Sumitomo Finance International; S. G. Warburg and Co.; Wood Gundy.

Closing prices on June 25

WEEK'S FINANCIAL DIARY

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

COMPANY MEETINGS— TODAY

Allied Plant, Royal Station Hotel, Yorkshire, 11.30
6SG Intl, Excelsior Hotel, Birmingham Airport, Birmingham, 11.00
Bristol Waterworks, Bridgewater Road, Bristol, 12.30
Caparo Inds., Sherlock Holmes Hotel, Baker Street, W, 11.00
Viking Resources Tst., Barbican Centre, Barbican, EC, 12.00

BOARD MEETINGS—

Finals:

Barker and Dobson
Brown and Tawse
Country Gentlemen's Assn.

Bell (Arthur) 5½pcPf 1.925pc. Ln 4¼pc
Benn Brothers 10pcPf 5pc
Bermuda Electric Light Db 3½pc
Bermuda Telephone Db 3½pc
Besobell Db 3¼pc
Bibby (J.) 4.2pcPf 2.1pc. Db 5½pc
Blackwood Hodge Ln 4½pc
Boddington Breweries Lns 4¾, 4¼(Cnv)pc
Boots Ln 3pc
Border Breweries (Wrexham) Db 3¼pc
Boulton (William) Ln 4¼pc
Bowater Ln 3½pc
Bowthorpe Ln 3½pc
Bowyers (Wiltshire) Ln 4¼pc
Braime (T. F. and J. H.) 5pcPf 2.1pc
Brascan Pf 3pc

Avon Rubber 4.9pcPf 2.45pc
Aylesbury Brewery Db 2pc
BICC Db 3⅞pc
BOC Grp 2.8pcPf 1.4pc. 3.5pcPf 1.75pc. 4.55pcPf 2.275pc
B.P.M. 5½pcPf 1.925pc. Ln 3¼pc
B.S.G. Inter. Dbs 3½, 4⅞pc. Ln 6¼pc
BTR Dbs 3½, 5¼pc
Babcock Intnl. Ln 3½pc
Bampton Db 4¼pc. Ln 4½ pc
Bampton Property Dbs 3¼, 3⅞pc
Barlow Rand Uns Notes 3½pc
Barnet 14pcRd 1984-85 7pc
Barranquilla Invsts. Dbs 2¼, 3⅞pc
Barratt Developments Ln 3½pc
Bath and Portland Grp Db 3⅞pc

Fortnum and Mason 7pcPf 2.45pc
Forward Technology Inds Ln 4pc
Foseco Minsep 4⅜pcPf 2.1875pc
Foster (John) 4½pcPf 1.575pc
Foxboro 26cts
Francis Indus 5½pcPf 1.925pc
Francis Parker Ln 3¼pc
Fulcrum Inv Tst 1pc Shs 2.1p
Fuller, Smith and Turner 6pcPf 2.1pc
Futura 7pcPf 2.45pc
GATX Corp. 6pcPf 2.1pc. 10SpcPf 5.25pc
G.T. Japan Inv Tst Ln 4¼pc
Gadek (Malaysia) Berhad Db 5pc
Garner Booth 6pcPf 2.1pc
Gaskell Broadloom 5pcPf 1.75pc
General Accident Fire Life Assurance Lns

Robertson Foods 5.5pcPf 2.75pc
Robinson Bros (Ryders Green) 11pcPf 5.5pc
Rockware Grp 6½pcPf 2.275pc
Romney Tst Ln 2⅞pc
Ropner 11½pcPf 3.97pc
Rotork 9½pcPf 4.75pc
Rowntree Mackintosh 6pcPf 2.1pc. 7pcPf 2.45pc. 7½pcPf 2.625pc
Royal Worcester Db 3⅞pc
Ruberoid Ln 5¼pc
Rugby Portland Cement Lns 3, 3⅞pc
Safeway Stores 65cts
St Andrew Tst 5½pcPf 1.9375pc
St Catharines' College Cambridge Db 3½pc
St George's Grp 3p

NOTICE TO HOLDERS OF DEPOSITARY RECEIPTS REPRESENTING COMMON STOCK OF

Kubota, Ltd.

(Kubota Tekko Kabushiki Kaisha)

Amendments to the Japanese Commercial Code (the "Code") and related legislation will affect certain rights of the holders of depositary receipts of all Japanese companies, including depositary receipts ("Receipts") representing shares of Common Stock of Kubota, Ltd. (the "Company"). In light of this legislation, and in order to effect certain other changes in the deposit agreement dated September 15, 1969, as amended and restated as of February 1, 1976, among the Company, Morgan Guaranty Trust Company of New York, as Depositary, and the holders of Receipts (the "Deposit Agreement"), the Deposit Agreement is being amended and restated effective October 1, 1982. A copy of the Deposit Agreement, as amended and restated, will be available for inspection at the corporate trust office of the Depositary in the City of New York at 30 West Broadway and at the offices of the Subdepositaries.

On and after October 1, 1982, the Company will be prohibited by the provisions of the Code from issuing share certificates for shares of its Common Stock ("Japanese Shares") in any number constituting less than one "Unit," which in the case of the Company will equal 1,000 shares, unless and *until changed* as provided below. *Consequently, upon surrender of a Receipt or Receipts for the withdrawal of Japanese Shares represented by such Receipt or Receipts, the Depositary will be able to effect the transfer and delivery of only that portion of the Japanese Shares that comprises a Unit or an integral multiple thereof.* The Depositary will issue a new Receipt evidencing the undeliverable portion and will inform the holder of the number of additional Japanese Shares required to equal a Unit.

The Company in the future may change the number of Japanese Shares comprising a Unit by amending its Articles of Incorporation. Under the Deposit Agreement, as amended and restated, the Company has agreed that it shall give notice of any such amendment at least three months prior to the effectiveness of such amendment except that for amendments decreasing the size of a Unit to a number evenly divisible into the previous Unit size, such notice shall be given at least two weeks prior to the effectiveness of such amendment.

These amendments to the Code will not impair a holder's right to transfer Receipts outside of Japan or to sell Receipts.

MORGAN GUARANTY TRUST COMPANY
OF NEW YORK, *Depositary*

Dated: June 25, 1982
New York, N.Y.

BUSINESSMAN'S DIARY

UK TRADE FAIRS AND EXHIBITIONS

Date	Title	Venue
Current	European Fishing Tackle Trade Exhibition—EFTTEX (021-780 4141) (until June 29)	NEC, Birmingham
June 28-July 1	International Floorcovering Exhibition—INFEX (02432 5537)	Olympia
June 30-July 1	Temperature Measurement and Control Exhibition and Conference—TEMPCON (0822 4671)	Wembley Conference Centre
July 2-4	South of England Exhibition of Homes, Food, Trades and Leisure (0273 687381)	Brighton Centre
July 5-8	Royal Show (0203 555100)	Kenilworth
July 6-8	Integrated Energy Exhibition (0272 572 624)	Bristol Exhibition Centre
July 8-11	North London Home Improvement Exhibition (01-328 8581)	Alexandra Palace
July 13-15	Environmental Engineering Today International Exhibition and Symposium—SEECO (0763 71209)	Wembley Conference Centre
July 14-31	International Dental Exhibition—EXPODENT (01-935 8200)	Olympia
July 13-16	The Royal Tournament (01-371 8141)	Earls Court
July 18-22	Harrogate Gift Fair (0282 867153)	Exhibition Centre, Harrogate
July 26-30	World Congress and Exhibition for Ultrasound in Medicine and Biology (01-486 6582)	Met Exbn Hall, Brighton
Aug. 8-12	International Gifts Fair (01-855 9201)	Olympia

OVERSEAS TRADE FAIRS AND EXHIBITIONS

June 28-30	Videotex Exhibition (09274 28211)	New York
June 29-July 1	Temperature and Transducer Conference and Exhibition — SENSORS AND SYSTEMS (02802 5226)	Houston
July 1-3	Electrical Engineering Fair—ELTEC (01-486 1951)	Munich
July 21-24	Security Asia Exhibition (0483 38085)	Hong Kong
July 31-Aug 3	Hamburg Trade Days (0202 732648)	Hamburg
Aug 11-15	International Trade Fair for Hotels, Restaurants, Catering and Food—HOTELRES (01-681 7688)	Bangkok
Aug. 18-21	Business Equipment and Computer Exhibition — COMBEX (0483 38085)	Hong Kong
Aug. 19-21	International Electronic Packaging and Production Equipment Exhibition—INTERNEPCON (0483 38085)	Singapore
Aug. 27-29	International Men's Wear and International Jeans Fair (01-730 4645)	Cologne

BUSINESS AND MANAGEMENT CONFERENCES

June 28-30	IAEE-BIEE: International energy markets—the changing structure (057 282 2711)	Cambridge
June 30	Energy Business Centre: Engineering Contracting and Sub-Contracting in UK Oil and Gas Projects (01-439 9021)	Metropole Hotel, Birmingham
July 1	Institute for Fiscal Studies: Developments in American tax policy (01-828 7545)	Regent Palace Hotel, W1
July 2	SMMT/BOTB: Third Automotive Export Conference (01-235 7000)	Metropole Hotel, Birmingham
July 5-6	MSS Computer and Business Consultancy: Management by objectives (Worthing 34755)	Worthing
July 7	Energy Business Centre: China Offshore (01-439 9021)	Cafe Royal, W1
July 8	CBI: The Protection of Hearing (01-379 7400)	Centre Point, WC1
July 8	IPS: Inventory cost and control (0990 23711)	Kensington Palace Hotel, W8
July 8	Leisure Consultants and Reed Taylor: Leisure and Work—the choices for 1991 and 2001 (01-377 8883)	Cumberland Hotel, W1
July 8	Resource Surveys: The Soviet Union and the World's Commodity Markets in the 1980s (01-390 0126)	Cafe Royal, W1
July 9	ESC: Sponsorship—New media, new developments, new projects (057282 2711)	Selfridge Hotel, W1

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

Why ICL plus 19 equals progress

GEOFFREY CHARLISH explains networking philosophies

LAST WEEK'S decision by ICL and 19 other companies to support the new European Computer Manufacturer's Association (ECMA) standards for "open" local area networks (LANs) is a bold attempt to push standardisation onwards, but there is a long way to go yet.

LANs allow items like computers, display terminals, disc stores and printers to talk to each other throughout an office building or factory, wired up in a ring or an end-to-end length of coaxial cable.

But many companies have gone their own way with proprietary approaches to networking so that there has been diminishing hope of interconnecting different maker's products on the same LAN.

The ICL-led group of 20 companies will offer products that use a particular version of baseband working with end-to-end cabling based on the ECMA standard, part of which is the subject of an International Standards Organisation (ISO) draft. Other parts of the standard are largely compatible with Ethernet, the Xerox/DEC/Intel offering.

But the "ICL 20" does not include IBM, for example, where surprise has been expressed at what is seen as an unexpectedly early decision. A spokesman pointed out that IBM is also an ECMA member so that the decision is "hardly unanimous." IBM thinks there will be more than one standard.

In fact, the corporation has made submissions to the IEEE 802 committee in the U.S., the emphasis of which seems to be on token passing ring systems and the way in which SNA, IBM's own systems network architecture, can augment local area networking.

IBM has no LAN offering as such — yet, and it remains to be seen whether, when the awaited product appears, it will be "open." It seems unlikely.

Of the two main access protocols (the ways in which the connected devices can access and use the net), "the 20" have opted for CSMA-CD, which stands for carrier sense multiple access with collision detection.

Messages (sequences of digital data) are sent as "packets" from one device to another. But any device wanting to transmit waits for the channel to clear (by sensing if the carrier is present) before sending.

If the channel is busy then either the sender waits a predetermined time (related to traffic levels) or keeps trying repetitively.

In token passing systems, the other main option, a digital access "token" moves from device to device round the ring. When a device gets a token it can either pass it on if it has nothing to say, or retain it, in which case transmitting is allowed and the token is afterwards passed on.

There are a number of variants in access control technique, making it something of a minefield for standards men. Eventually, ISO, ECMA, the IEEE, CCITT and other bodies will have to reach joint agreement.

But there is another contention—somewhat hotter in the U.S. than Europe at the moment—between baseband and broadband technique.

A typical baseband system, CSMA-CD, might have a data rate of 12 megabits per second and employ one channel for multi-access of large numbers of devices.

Broadband proponents (Wang for example) take the view that since a coaxial cable is to be installed, it might just as well be chosen and equipped for the full bandwidth of 300MHz or so for standard TV coaxial cable.

Then, the cable can carry say, three separate lots of data, each borne by a separate radio frequency carrier. One might last 10 Mb/s CSMA channel, the second could carry several TV channels and the third some low speed data channels for other services.

These three "radio stations" are sent side-by-side in the total cable spectrum and can be extracted separately anywhere along the LAN—rather like tuning a radio set dial.

For the user, broadband means that any service—speech, video, data, facsimile can be accommodated at will and added as needed. A suitable interface unit is simply spliced into the cable.

Broadband cable components are widely used in the U.S. for local cable TV and might become so in the UK, if British Telecom, the BBC, ITA and other interested parties can agree over the "wired Britain" idea. Ultimate systems might turn out to be optical fibre based, eliminating bandwidth problems entirely.

The view of all this taken last week by Rob Wilmot, managing director of ICL, is that there are rather more pressing matters to consider than broadband, such as getting baseband standards agreed for truly open networking.

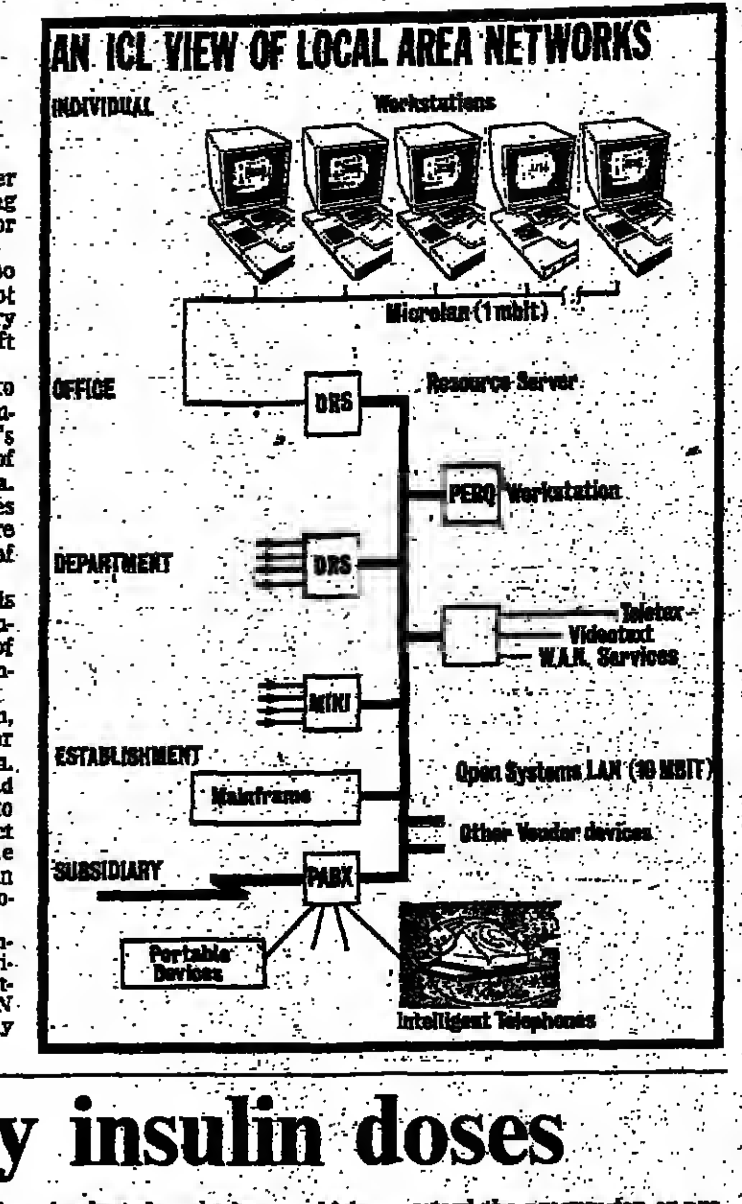
He believes that before too long, companies that do not subscribe to standards and try to "go it alone" will be left out in the cold.

He also sees the need to accommodate mainframe computers and also a company's PABX, the latest models of which can carry low speed data. (Several telecoms companies such as Philips and ITT are presenting PABXs as a form of LAN).

No one, asserts Wilmot, is likely to throw away an expensive PABX with 20 years of life left in favour of a completely new system.

ICL already offers Microlan, a low speed (1 mb/s) LAN for direct workstation connection. Each of these can be connected through an appropriate box to the open system interconnect LAN (it will presumably come to be called OSILAN) as can services such as telelex, videotext and wider area networks.

Thus, one works down a company heirarchy from an individual, through an office, a department and, out through a LAN connected PABX to company subsidiaries.



Digitised measuring

FIELD ELECTRONICS, a new company based in East Sussex, has brought out a series of "intelligent" units which convert physical measurements into digital form, suitable for processing by computer.

The units—Field calls them "Digital Data Units"—present the measurements in a form which can be used immediately. All the signal conditioning and linearisation is carried out by the units themselves.

Each unit is a rugged box measuring about 15 cm by 7 cm. Up to 256 units can be linked together in a single loop and the units can be up to 4,000 ft apart.

The units are installed near the point of measurement—temperature, pressure or flow, for example—and the low level analogue signals converted to digital form in the unit for transmission on a twin wire loop linking all the units.

What makes the Field units different from most simple digitisers is the degree of intelligence which can be built in because the units are microprocessor based.

Thus the Field 101, the basic family unit, can have built in correction curves for platinum resistance thermometers to BS 1904 and for type J, K, T, S and R thermocouples to BS specification.

The data is sampled, averaged and then stored in an output buffer for interrogation by a computer or Field's own clock and logging controller.

If the user does not wish to use these devices, then the data is reported automatically by each unit in turn at a present period, enabling simple data loggers to be constructed using dumb VDUs or printers.

What does it all cost? According to Mr B. J. Infield, managing director of Field Electronics, "If a customer used a microcomputer like the Apple, he could build a significant logging system for £2,000-£3,000."

The 101 costs £180 a board; the case which holds two boards £18.50. Field will give all the details on 0273-728361.

A.C.

Small may be best for diabetics needing daily insulin doses

BY RAYMOND SNODDY

TWO CALIFORNIA companies have combined their technological expertise to produce what is claimed to be the smallest and most advanced insulin pump so far for diabetics.

Pacemakers Systems, a cardiac pacemaker company, got together with Parker Hannifin, a company specialising in fluid controls for the aeronautical industry, while both were having research carried out at the Applied Physics Laboratory at Johns Hopkins University.

The result of the collaboration is "Micromed," a miniature programmable pump which can fit into the palm of a hand and which measures only 4.4 cm x 7.1 cm x 1.7 cm. It weighs 67 grammes with full insulin reservoir and batteries.

It is an example of the commercial race between companies like Siemens in West Germany and Eli Lilly in the U.S. to produce smaller, better and more acceptable pumps for a growing market.

Insulin pumps are small devices worn on a belt and attached to a tiny needle implanted just under the skin. As well as receiving a regular dose, patients can get extra insulin before each meal as needed.

Since the first experimental pumps were produced about four years ago, the number using them has grown to more than 6,000. But the pump manufacturers are eyeing a much larger market. There are estimated to be about 4m diabetics whose lives depend on daily injections of insulin. The new Micromed pump caused a considerable stir at the exhibition attached to the American Diabetes Association conference earlier this month in San Francisco.

Micromed, the miniature insulin pump.

Dr Julio Santiago, associate professor of paediatrics at the Washington University School of Medicine who carried out the clinical trials on the pump said: "It is the smallest, most sophisticated device currently available."

Dr Santiago was also involved in the early stages of design. He asked patients already on pumps what features they wanted and what were the difficulties encountered. The aim was to miniaturise all the best aspects of existing pumps in the U.S. and Europe.

Thirteen patients have already begun long-term trials on the pump which will become commercially available this autumn — at U.S.$2,500 it is at the top end of the market.

Pacemaker says that the batteries have to be changed once every 30 days on average, the drug reservoir holds a five to 10 day supply of insulin and a liquid crystal display shows what dose of insulin is being supplied to reduce the risk of patient error.

Although drug companies have been spending millions on developing new kinds and new sources of insulin Dr Santiago believes "delivery is the name of the game not the species of the beast."

The hope is that by better control of blood sugar levels pumps might be able to prevent the serious heart and kidney complications suffered by diabetics. Such complications make diabetes the third most common cause of death in the Western world.

The ultimate pump—an implanted device which responds automatically to blood sugar levels as the pancreas does is believed to be still some years off. But research on such a device is already under way at John Hopkins.

Dr Robert Sherwin associate professor of medicine at the Yale University School of Medicine who gave a "state of the art" lecture at the ADA conference says he believes that insulin pumps are the wave of the future in the treatment of diabetes.

But there had simply not been time to do long term trials on whether the complications of diabetes could be prevented.

"Studies thus far undertaken indicate that you cannot reverse established diabetic retinal and renal complications. The question remains whether we can retard the progression or prevent the complications in the first place," Dr Sherwin said.

He regarded the pump still as an experimental device. It was particularly appropriate in helping diabetic children reach their full growth potential and for pregnant women where blood sugar levels had to be strictly controlled.

Some problems with pumps were already apparent. The Centre for Disease Control in Atlanta is investigating 11 deaths of diabetics who were using insulin pumps.

Because there is no suitable comparison group the CDC says it does not know whether this is more than the expected number of deaths.

But several of the 11 died suddenly, and Dr Steven Teutsch of the CDC said those deaths may well have been due to failure of blood glucose control.

BUILDING AND CIVIL ENGINEERING

Materials sector criticised

THE NEED for British building materials producers and manufacturers to take greater advantage of export markets and to combat a rising tide of imported building products is highlighted in a new and hard-hitting report prepared for the Building and Civil Engineering Economic Development Committees.

The report, still in draft form, has been compiled by Industrial Market Research. It examines six key building materials or components where import penetration is thought to be unacceptably high, or where export opportunities have not been realised.

The six products examined are: wooden doors and frames, cladding and decking, kitchen units, particleboard, ceramic tiles and air conditioning units.

The document pulls few punches about previous failures by manufacturers to respond adequately to overseas competition. It cites lack of innovation in product design, inadequate responses to changes in marketing and distribution techniques and a need to improve product ranges — at competitive prices to suit the requirement of individual markets.

The report says that UK manufacturers have room for improvement at home and overseas when it comes to: "delivery performance, the level of defects and shortages, technical support, availability of custom-made products and the quality of technical personnel."

"UK manufacturers have generally been reasonably successful in selecting appropriate market sectors. However, they have usually adopted a policy of following trends, rather than initiating them, and this has often led to competitors developing new market opportunities and gaining a foothold in the UK.

"Historic examples include the entry of Grangee Essem into aluminium cladding based on the use of lower specification material, continental manufacturers' penetration of the solid wood kitchen unit market and the dominance of Japanese, U.S. and continental manufacturers in heat pumps."

The report says that not all the criticisms apply to each individual sector. But it is generally concerned about the quality of product design: "British manufacturers are conservative over the use of new materials and specifications and in their assessment of user requirements."

It suggests that producers should: "Use independent designers to establish a distinctive 'British Look,' possibly collaborating to generate a coherent British range aimed at both UK and export markets."

The report also suggests that manufacturers should look to make improvements in:

- Market research and after sales services. There should be closer liaison with customers. Manufacturers should be prepared to consider special prices for large customers like public sector purchases.
- Better quality controls and delivery times.
- Regular reviews of product ranges to ensure that these are neither too narrow nor too wide.
- Greater awareness of the advantages available from differing methods of distribution.
- Improvements in the technical knowledge and performance of British salesmen, and in the quality of some product literature.

The fact that building material porducers are meeting a third of the cost of producing the reports indicates the willingness of the industry to improve its performance and to close the gap between British manufacturers and overseas competitors.

It is hoped to publish a final draft of the report later this year, following comments from various building material trade associations and material manufacturers.

ANDREW TAYLOR

'Slim chance' of sustained recovery

HOPES of a sustained recovery for the construction industry are unlikely to be realised according to the Royal Institute of British Architects which has just published its latest quarterly workload survey.

The survey shows that new commissions won by architects during the first quarter fell by 3.7 per cent compared with the last quarter of 1981. The value of work for which new commissions were received fell to £1.83bn during the first quarter (£885m at constant 1975 prices) compared with £1.86bn (£919m) in the fourth quarter of 1981.

The Institute says: "A plateau has been reached in architects' workloads which implies a very slim chance of any significant upturn in the construction industry as a whole."

Upsurge

The architects are particularly concerned that the recent sharp upsurge in new housebuilding starts made in the public and private sector may be about to tail-off.

The Institute said that the level of new commissions won by architects from private housebuilders fell by 8 per cent between the fourth quarter of last year and the first quarter of 1982. Commissions won for public sector housebuilding however were up by more than 27 per cent and were at their highest level since the second quarter of 1980.

The architects appear to be overstating their case when they say that "the picture for housing is bleak." Nonetheless, one or two doubts have been expressed recently about whether the pace of recovery in new housing starts can be maintained throughout the rest of this year.

There is as yet no sign that the spring upsurge in new housebuilding activity has slackened, although talk of recovery must be set against the record low level of housing starts made during the early part of 1981.

Improvement

New order figures published by the Environment Department last week reflect the improvement that has been made from last year's low base. Public sector new housing orders in the three months to end April were 47 per cent higher than in the same three months last year—private sector starts were 37 per cent higher.

Beyond the housing sector, there were few encouraging signs for the construction industry. Private industrial orders to the end of April were 10 per cent lower than in the previous three-month period and 2 per cent lower than in the same quarter of 1981. Private commercial orders were 1 per cent higher than in the previous three months but 4 per cent lower than a year ago.

The latest figures from the Environment Department, together with the findings from the architects workload survey, support the view that there is likely to be only a slight increase in construction output this year.

Gleeson wins £35m Nigerian water scheme

GLEESON CIVIL ENGINEERING has been awarded a £35.15m contract by the Plateau State Government of the Federal Republic of Nigeria, for the construction of dams, water supply and treatment works at Shendam and Nasarawa. BALFOUR BEATTY ENGINEERING, as the managing contractor, will administer the contract on behalf of the Plateau State, and the project is being financed out of a £157m E.C.G.D. supported loan and Euro Currency Loan arranged by Midland Bank International for the Plateau State, and is guaranteed by the Federal Republic of Nigeria. Work is due to commence immediately and will extend over 2½ years.

Gleeson Civil Engineering has also received contracts in the UK totalling £5.45m.

*

HIGGS AND HILL has been awarded contracts in excess of £2m for fitting three prestige bank premises in Cairo. The first contract is for the Misr Exterior Bank and involves fitting-out two levels of the recently completed south office block section of the Cairo Plaza development currently being constructed by Higgs and Hill. The second is for Hong Kong Egyptian Bank and involves fitting two floors in the new Abou El Fida building on the island of Zamalek. The premises will be used as both head office an an operating branch for the bank. The third is for the Chase National Bank (Egypt) SAE requiring the fitting of six floors of the Nile Tower building in Giza Street to provide headquarters for the bank's operations in Egypt.

*

A $35m (£16.5m) contract for the construction of the Sheraton Hotel, Colombo, has been awarded to VOLANI INTERNATIONAL an Italian firm based in Switzerland. A spokesman for the project's promoters, the Travel Corporation of India, Hotels and Resorts said the contractors, promoters and a financial team will meet in Colombo next month to negotiate loan financing and guarantees from the Bank of Ceylon and discuss other matters with the State Urban Development Authority which has leased the land facing the Galle Face Esplanade. Construction of the 375-room hotel will begin in August. A share issue is being floated to raise funds locally.

*

STENT FOUNDATIONS has new contracts totalling £3¼m in the Middle East. Stent has a contract for the Bahrain pelletising mill being constructed for the Arab Iron and Steel corporation by Kobe Steel of Japan and Al Jazira Construction Company of Bahrain. The contract consists of driven and bored piles under the main plant areas and ground improvement elsewhere. The ground improvement will be carried out by Stent Solcompact joint venture using dynamic compaction techniques. Other work includes a joint venture with S.I.F. Bachy of France for a diaphragm wall at Mussafah Interchange at Abu Dhabi. The main constructor for the interchange is Joannou and Paraskevaides and the engineers are De Leuw Cather International.

UK CONTRACTS

TROLLOPE & COLLS have been awarded a £10m contract by Heron Property Corp to build commercial offices and a headquarters building for the Royal Society of Medicine at Wimpole Street. The scheme combines about 58,000 sq ft of lettable office space with the headquarters for the Royal Society of Medicine whose existing premises are next door.

The new facilities for the Royal Society of Medicine will be situated at basement, ground and first floor levels and comprise reception areas, meeting rooms, restaurant and bar, offices and 38 bed sitting rooms for visitors and will be linked to the present accommodation. The remaining four floors will contain open plan office space, fully air-conditioned. A separate ground floor entrance serviced by high speed lifts will provide access and car parking will be included at basement level.

*

J. F. FINNEGAN, Sheffield, has won contracts totalling nearly £5m, including an order, worth £1.1m, for 73 houses at Godmanchester, Hunts, from the Muir Group Housing Association. Industrial and commercial contracts include seven single-storey factory units at Cheshunt, Herts, for Broxbourne Borough Council, worth some £1.7m, a £500,000 retail warehouse, for Turret Developments, at Chesterfield to be occupied by W. H. Smith (DIA), and a wet sand storage building at a glassworks in Knottingley, for Fairclough Projects.

*

Contracts worth over £9m including a new office and residential complex in London and a new school in South Wales, have been awarded to FAIRCLOUGH BUILDING. A £4m complex, with floor of offices and an eight-storey residen atiholiETAINO storey residential block, will be built in Buckingham Palace Road. Work has started on a 94-week contract for the UK Temperance and General Provident Institution. A £717,000 London contract will provide banqueting facilities, offices and residential accommodation in St Mary-at-Hill, EC4. The facade of a listed building will be retained in the project for joint clients the Waterman and Lightermen of the River Thames and Guardian Assurance. Work has started.

*

BATTEE AND KETT, Cambridge-based member of the Mowlem Group, has been awarded contracts worth over £3m. Among them is a £1.05m 15-month contract to construct a new sports centre in Kings Lynn, Norfolk. The brick-faced, concrete-framed structure will include squash courts and a four-lane indoor bowls area, together with bars and restaurant facilities. The client is Chimeglade. Another is a £750,000 scheme to build a home improvement centre for Homebase on the site of an existing garage, in High Road, Seven Kings, near Ilford. The work, which starts on July 5, includes improvements and alterations to the premises, and fitting out.

Paris—'city of the future'

A DECREE from President Mitterrand has launched a plan by the French Government to spend FFr 10,000m (£1,000m) on a variety of ambitious development schemes in the centre of Paris.

All the projects are part of the President's programme to transform Paris into a "city of the future." His Paris building programme is also being seen as an antidote to growing unemployment in the capital as well as a serious attempt to upgrade the city's cultural and scientific facilities.

The six main projects are to be completed by 1989 in time to celebrate the bicentenary of the French Revolution. Commercial offices are no longer to be built at La Defense, which has been at the centre of most recent office expansion. Instead, the French Government plans to build an international communications centre and two new ministries—the Ministry of Planning and Housing, and the Ministry of the Environment. These two projects are described as symbols of France's aim to press forward in the worlds of technology and communications.

On the site of the Bastille a new Opera House is to be built, which will be "modern and popular." The vast expanse of the area of La Villette in the eastern sector of Paris, once the slaughter-houses for the city, will be redeveloped as a 20th century urban park around a new museum of science and technology and a major music centre and music school.

Three thousand civil servants from the Ministry of Finance are to be turned out of the Louvre so that the whole building can be restored as a museum. The Polytechnique, France's school for top officials, has moved from its building in Paris which will now be rehabilitated as a Ministry of Research with neighbouring institutes devoted to the promotion of industry and the development of small firms.

There are to be major international architectural competitions for all the new schemes. A 21-man international jury has been established and the first competition for the urban park at La Villette is under way with entries from over 30 countries.

COLIN AMERY

REDUCING THE RISKS FROM BREAKING GLASS

THE FRIGHTENING toll of human misery caused by accidents with glass should start to fall from the end of this month. A new British Standard Code of Building Practice comes into force then which specifies the minimum standard of glazing material that can be used in the principal areas of risk.

When ordinary glass is kicked, fallen against or run into, it can maim or disfigure or even kill, because it breaks into jagged, sword-like pieces with razor-sharp edges. Unfortunately, it is usually children who are the victims and 7,000 were injured last year.

But tempered safety glass is about five times as strong as ordinary glass so it is unlikely to break even from the impact of a running boy. Even more important, if it does break it will collapse into thousands of tiny round pieces with dulled edges.

The new British Standard Code covers five main risk areas where there is most risk of accidents. These include glass panels near the floor, stairfoot doors with large glass panes and bath or shower screens. The Standard says what safety glass or thickness of ordinary glass or other glazing material should be used.

Doulton Tempered Glass, a leading manufacturer of safety glass, says the new British Standard Code of Practice will work similarly to the Highway Code. No one can make you do what it says—but if there's an accident, you'd better be ready with a jolly good reason for having ignored it.

In law, the specifier will be held responsible for an accident involving glass installed installed after June 1982. If you use a piece of the wrong glass in a risk area, then the "specifier" could be you.

Where a dealer supplies glass, or a tradesman recommends or instals it, he could be held liable for any injury caused by its breakage.

To play it absolutely safe, insist on tempered safety glass manufactured to British Standard 6206 Class A.

All safety glass manufactured to this standard is supplied with a small permanent brand mark showing the standard, number and classification. Tell the supplier exactly what the glass is for and let him check it with the new guide that Doulton Tempered Glass have made available to glass shops, builders and home improvement centres.

WORLD STOCK MARKETS

HOLLAND

1982 High	1982 Low	June 25	Price Fls
87.3	29	ACF Holding	78.2
86.9	60	Ahold	72.7
31.2	22.8	AKZO	23.7
304	270	ABN	282.5
95.7	78.0	AMEV	82.8
55	46	AMRO	49.2
204.5	164.3	Bredero Cert	164.8
70	43.1	Boskalis Westm.	45.1
47.6	33.2	Buhrmann-Tet	35.8
37	28.8	Caland Hldgs	29.4
161.5	131.2	Elsevier-NDU nv.	148
131	106	Ennia	112.5
73.7	69	EuroCom Tst	72.5
76.1	61.5	Gist.-Brocades	70
63.7	47.5	Heineken	57.8
18.3	13.9	Hoogovens	14.0
2	6.0	Hunter Douglas	2.8
25.7	18.0	Int-Muller	19.0
115.5	86	KLM	86.6
30.4	22.2	Naarde'n	22.8
119.8	104	Nat Ned Cert	112.9
37.3	30.3	Ned Cred Bank	31
147.6	109.2	Ned Mid Bank	123.3
140	108	Nedlloyd	111.2
113.5	68.0	Oce Grinten	89.3
40.2	21.6	Ommeren (Van)	21.6
45.4	37.5	Pakhoed	38.3
30.6	20.3	Philips	22.2
38	21.5	RSV-Scheide	92.6
222.5	200.5	Robeco	204
124.4	118.2	Rodamco	124
217.5	188.2	Rolinco	200
139.3	136.5	Rorento	151.6
94.3	71.8	Royal Dutch	86.3
26.5	71.8	Slavenburg's	82
232	173	Tokyo Pac Hg	121
162.1	143	Unilever	145.4
140	94	Viking Res	111
54	58	VMF Stork	46
62.2	48	VNU	55.1
97.5	61	West Utr Bank	77

NORWAY

1982 High	1982 Low	June 25	Price Kroner
116	103.5	Bergens Bank	103
135	100	Borregaard	108
153	197.5	Creditbank	122
54	45	Elkem	47.5
445	300	Kosmos	305
368	248.5	Norsk Hydro	271
245	175	Storebrand	180

ITALY

1982 High	1982 Low	June 26	Price Lire
159,808	125,000	Assicur Gen.	128,000
32,900	30,000	Banca Com'le	32,000
955	92	Bastogi Fin.	98
5,950	2,110	Centrale	2,380
9,600	3,845	Credito Varesino	6,900
1,995	1,500	Fiat	1,644
49	29	Finsider	31.26
3,400	9,905	Invest	2,309
42,000	23,700	Italcementi	23,700
160.25	81.25	Montedison	89
3,400	9,250	Olivetti	2,291
3,40[illegible]	2,060	Pirelli Co.	2,214
1,580	1,182	Pirelli Spa	1,230
[illegible]	50[illegible]	Snia Viscosa	650
20,100	10,[illegible]	Toro Assic.	10,550
[illegible],890	7,71[illegible]	do. Pref	2,600

HONG KONG

1982 High	1982 Low	June 24	Price H.K.$
22.5	14.4	Cheung Kong	14.8
2	1.55	Cosmos Prop.	1.74
11.7	10.1	Cross Harbour	10.1
100	87	Hang Seng Bank	89.0
6.7	4.57	HK Electric	5.2
2.95	4.07	HK Kowloon Wh.	4.52
9.5	5.45	HK Land	7.45
12.2	8.8	HK Shanghai Bk	11.8
34.25	23.5	HK Telephone	31.75
18.5	13.5	Hutchison Wpa	16.5
18.2	12.5	Jardine Math.	16.8
6.13	3.3	New World Dev.	3.95
6.35	4.7	O'seas Trust Bk.	3.5
9.2	5.5	SKH Props.	7.00
12.2	8.85	Swire Pac A	10.9
5.9	4.9	Wheel'k Mard A.	5.50
5.2	4.8	Wheel'k Marit'e	4.60
3.82	2.27	World Int. Hldgs.	2.70

JAPAN

1982 High	1982 Low	June 25	Price Yen
949	793	Ajinomoto	840
720	511	Amada	615
715	480	Asahi Glass	482
462	699	Bridgestone	440
1,010	645	Canon	754
637	258	Citizen	281
658	600	Daiei	611
485	352	DKB	484
766	360	Dai Nippon Ptg	627
426	363	Daiwa House	320
410	356	Daiwa Seiko	394
469	355	Ebara	390
1,040	752	Eisai	912
503	490	Fuji Bank	500
1,620	1,190	Fuji Film	1,460
1,500	1,140	Fujisawa	1,360
6,780	4,150	Fujitsu Fanuc	4,460
2,290	1,710	Green Cross	2,110
650	546	Hasegawa	258
605	601	Heiwa RI. East	549
725	550	Hitachi	643
575	437	Hitachi Koki	494
864	382	Honda	730
1,130	830	House Food	1,010
834	619	Hoya	709
345	277	Itoh (C)	280
436	363	Ito-Ham	387
1,040	770	Ito-Yokado	232
629	398	JACCS	400
2,420	2,300	JAL	2,310
714	341	Jusco	585
376	316	Kajima	338
670	480	Kao Soap	505
273	740	Kashiyama	800
458	551	Kikkoman	327
445	406	Kirin	443
1,010	865	Kokuyo	893
510	431	Komatsu	490
630	350	Komatsu F'lift	360
669	519	Konishiroku	585
349	330	Kubota	661
473	361	Kumagai	396
4,140	3,060	Kyoto Ceramic	3,780
416	365	Lion	656
643	503	Maeda Cons.	512
889	705	Makita	725
340	275	Marubeni	280
701	555	Marudai	560
1,000	782	Marui	907
1,350	902	Matsushita	1,020
61[illegible]	494	M'ta Elec Works	505
60[illegible]	484	M'bishi Bank	500
63[illegible]	487	M'bishi Corp	508
341	859	M'bishi Elec	936
[illegible]	417	M'bishi RI East	[illegible]
260	189	MHI	191
359	298	Mitsui Co.	320
680	580	Mitsui RI Est	623
420	352	Mitsukoshi	355
559	438	NGK Insulators	474
1,200	890	Nippon Denso	1,130
739	631	Nippon Gakki	647
412	371	Nippon Meat	375
1,130	871	Nippon Oil	900
995	765	Nippon Shinpan	785
182	137	Nippon Steel	141
275	208	Nippon Suisan	217
4,600	3,800	NTV	3,870
886	710	Nissan Motor	822
558	320	Nisshin Flour	547
170	143	Nisshin Steel	150
695	406	Nomura	411
312	850	NYK	251
1,140	733	Olympus	916
1,510	1,280	Orient	1,300
1,[illegible]	1,310	Pioneer	1,510
802	666	Renown	731
707	443	Ricoh	473
616	321	Sanyo Elect.	415
273	243	Sapporo	261
798	548	Sekisui Prefab	701
268	622	Sharp	202

CURRENCIES, MONEY and GOLD

MONEY MARKETS

Focus on Eurodollars

Attention remained focused on Eurodollar interest rates and the actions of the Federal Reserve Bank in New York last week. Intervention by the U.S. authorities gave no indication of easier monetary policy, as the overnight Federal funds rate moved up to 14¾ per cent from 14½ per cent.

Market estimates of last week's M-1 money supply, pointed towards an increase of $1½bn, while fears lingered of possibly tighter credit conditions if the Federal Reserve considers the July money supply bulge excessive.

Another matter of some concern was the forthcoming auction of $8bn of U.S. Treasury notes at a time when the market is very uneasy about the size of the Federal budget deficit.

An auction of $4bn four-year bonds takes place tomorrow, and $4bn seven-year bonds on Thursday, and the market's reaction to these issues could prove a key factor in determining whether the U.S. Treasury can attract long-term investment at a rate well over double the current level of inflation.

Day-to-day credit conditions are expected to remain tight for the next few days during the run up to the end of the quarter, and there also seems little prospect of a sharp fall in Eurodollar rates. These continued to advance last week, pulling up most other Eurocurrency rates, with the exception of Euroguilder and French franc rates.

Three-month Eurosterling is now about ¼ percentage point higher than at the time of the last cut in clearing bank base rates on June 8, but the important seven-day rate has fallen slightly over the same period, and the same also applies for domestic rates, which should help keep any immediate upward pressure off base rates.

Nervousness seemed to increase as the week progressed however, and by Friday there were signs that the discount houses may be keen to sell long dated bills to the Bank of England. Official dealing rates for band 3 and band 4 bills rose by up to 1/16 per cent when the authorities intervened to provide assistance for the London money market.

WEEKLY CHANGE IN WORLD INTEREST RATES

	June 25	change		June 25	change
LONDON			**NEW YORK**		
Base rates	12½	Unch'd	Prime rates	16½	Unch'd
7 day interbank	12¾-13	+¼	Federal funds	14¾-15	+¾
3 mth interbank	13⅛-13¼	+⅛	3 mth Treasury Bills	13.04	+0.47
Treasury Bill Tender	12.2696	+0.0271	6 Mth. Treasury Bills	13.30	+0.24
Band 1 Bills	12⅝	Unch'd	3 Mth. CD	15.50	+0.40
Band 2 Bills	12½	Unch'd	**FRANKFURT**		
Band 3 Bills	12⅞-19⅛	+⅛	Lombard	9.0	Unch'd
3 Mth. Treasury Bills	12⅞-12⅛	+⅛	One Mth. interbank	9.20	+0.10
1 Mth. Bank Bills	12⅞	+⅛	Three month	9.45	+0.225
3 Mth. Bank Bills	12⅞	+⅛	**PARIS**		
TOKYO			Intervention Rate	15¼	−¼
One month Bills	7.34375	Unch'd	1 Mth. Interbank	16⅛	−⅛
Three month Bills	7.28125	Unch'd	Three month	16⅛	−⅛
BRUSSELS			**MILAN**		
One month	15⅛	+⅛	One month	20⅛	−⅛
Three month	15¾	Unch'd	Three month	20⅛	−¼
AMSTERDAM			**DUBLIN**		
One month	8⅛	−⅛	One month	19¾	Unch'd
Three month	8⅛	−⅛	Three month	19¾	Unch'd

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, and band 3 bills 34 to 63 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market, and their respective changes during the week. *Band 4 12⅛-12⅝.

BANK OF ENGLAND TREASURY BILL TENDER

	June 25	June 18		June 25	June 18
Bills on offer	£100m	£100m	Top accepted rate of discount	12.2736%	12.2536%
Total of applications	£390.9m	£523.555m	Average rate of discount	12.2696%	12.2425%
Total allocated	£100m	£100m	Average yield	12.66%	12.63%
Minimum accepted bid	£96.94	£96.945	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	80%	59%			

FT LONDON INTERBANK FIXING

3 months U.S. dollars	
bid 16 9/16	offer 16 11/16

6 months U.S. dollars	
bid 16 3/4	offer 16 7/8

The fixing rates (June 11) are the arithmetical means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

LONDON MONEY RATES

June 25 1982	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposit	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	9-14	13	—	—	12½-13¼	11-12½	—	—	—
2 days notice	—	—	12¾-13	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	12¾-13	12⅞-13	—	—	12½-13¼	12½-12¾	—	—	—
One month	13-13⅛	12⅞-13⅛	13	13¼-13⅛	13⅛	13⅛	12¾	12⅛-12⅞	12⅞-12¾	13⅛
Two months	13⅛-13	13⅛-13¼	—	13⅛-13⅛	13¼	13⅛	12¾	12⅞-12⅞	12⅞	13⅛
Three months	13⅛-13	13⅛-13⅛	13⅛	13⅛-13⅛	13⅛	13⅛	—	—	12⅞-12⅞	13⅛
Six months	13⅛-13	13⅛-13⅛	13⅛	13⅛-13⅛	13⅛	—	—	—	—	—
Nine months	13⅛-13⅛	13⅛-13⅛	13⅛	13⅛-13⅛	13⅛	—	—	—	—	—
One year	13⅛-13⅛	13⅛-13⅛	13⅛	13⅛-13⅛	13⅛	—	—	—	—	—
Two years	—	—	13⅛	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days fixed. Long-term local authority mortgage rates, nominally three years 13¾ per cent; four years 14 per cent; five years 14⅛ per cent. ♦ Bank bill rates in table are buying rates for prime paper. Buying rate for four-month bank bills 12⅞-12⅞ per cent; four month trade bills 13⅛ per cent.

Approximate selling rate for one-month Treasury bills 12⅞ per cent; two months 12⅞-12⅞ per cent; three months 12⅞-12⅞ per cent. Approximate selling rate for one-month bank bills 12⅞ per cent; two months 12⅞ per cent and three months 12⅞ per cent; one-month trade bills 13⅛ per cent; two months 13 per cent; three months 12⅞ per cent.

Finance House Base Rates (published by the Finance Houses Association) 14 per cent from June 1, 1982. London and Scottish Clearing Bank Rates for lending 12½ per cent. London Clearing Bank Deposit Rates for sums at seven days' notice 9½ per cent. Treasury Bills: Average tender rates of discount 12.2696 per cent. Certificates of Tax Deposit (Series 6) 13 per cent from June 8. Deposits withdrawn for cash 10½ per cent.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

June 25	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	D-mark	French Franc	Italian Lira	Belgian Franc Conv.	Belgian Franc Fin.	Yen	Danish Krone
Short term	12⅞-13	15⅛-15⅞	16-17	7⅞-8⅛	2⅛-3⅛	9⅛-9	15⅛-15⅞	17⅛-20	15-16⅛	14⅞-15⅛	7⅞-8⅛	8-8⅛
7 day's notice	12⅞-13	15⅞-15⅞	16⅛-17⅛	7⅞-8⅛	3⅛-4	9⅛-9	15⅞-16	19⅛-20⅛	15⅛-16	15⅛-15⅞	7⅞-7⅞	8⅛-8⅛
Month	13-13⅛	15⅞-16⅛	17⅛-17⅞	8⅛-8⅞	5⅛-5⅛	9-9⅛	15⅞-16	20⅛-21⅛	15⅛-16⅛	15⅛-15⅞	7⅞-7⅞	16⅛-16⅞
Three months	13⅛-13⅛	16⅛-16⅞	17⅛-17⅞	8⅛-8⅛	5⅞-6	9⅛-9⅛	16⅛-17⅛	21⅛-22⅛	16⅛-17⅛	15⅛-15⅞	7⅞-7⅞	16⅛-17
Six months	13⅛-13⅛	16⅞-16⅞	17⅞-19⅛	8⅛-8⅛	6⅛-6⅞	9⅛-9⅞	16⅛-19⅛	22⅛-23⅛	16⅞-17⅛	15⅞-15⅞	7⅛-7⅛	17⅛-17⅞
One Year	13⅛-13⅛	16⅞-16⅞	17⅛-19	8⅛-8⅞	6⅛-6⅞	9⅛-9⅞	16⅛-16⅞	22⅛-23⅛	16⅛-17⅛	16⅛-16⅞	7⅛-7⅛	17⅛-18

SDR linked deposits: one-month 13⅛-13⅞ per cent; three months 13⅞-14⅛ per cent; six months 13⅞-14⅛ per cent; one-year 13⅞-14⅛ per cent.

ECU linked deposits: one-month 12⅛-12⅝ per cent; three months 12⅝-13⅛ per cent; six months 13⅛-13⅛ per cent; one year 13⅛-13⅝ per cent.

Asian $ (closing rates in Singapore): one-month 15⅞-15⅞ per cent; three months 16⅛-16⅞ per cent; six months 16⅞-16⅞ per cent; one-year 16⅞-16⅞ per cent. Long-term Eurodollar two years 15⅛-16⅛ per cent; three years 15⅞-16⅛ per cent; four years 15⅞-16⅛ per cent; five years 15⅞-16⅛ per cent; nominal closing rates. Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two days' notice.

The following rates were quoted for London dollar certificates of deposit: one-month 15.30-15.40 per cent; three-months 15.90-16.00 per cent; six months 16.15-16.25 per cent; one-year 16.15-16.25 per cent.

CURRENCIES AND GOLD

$ stays strong

The dollar continued to advance as the upward pressure built up on Eurodollar interest rates last week. Six-month Eurodollars rose to 16⅞ per cent from 16 per cent, after touching 17 per cent at one time.

After a very firm start to the week, with the U.S. currency rising to record levels against several European units, it suffered from a bout of profit-taking and periods of easier Eurodollar rates. When European centres closed on Thursday demand for the dollar seemed to increase, however, and the firm trend continued as any hopes of lower U.S. interest rates tended to fade.

The dollar rose to an all-time peak of FFr 6.9130 against the French franc on Friday, and finished at FFr 6.8850, a record closing level, compared with FFr 6.8350 at the end of the previous week. The U.S. currency also rose to an historical high against the lira at the Milan fixing on Friday, improving to L1,401.55, from L1,387.55 on Thursday.

It rose to the highest level since August last year against the D-mark, closing at DM 2.4830 compared with DM 2.46 on the previous Friday. On the other hand a continuation of the upward trend in Swiss interest rates kept the Swiss franc steady and the dollar eased to SwFr 2.1170 from SwFr 2.12.

Against the Japanese yen, the dollar was at its highest level since April 1980, rising to Y257.40 from Y255.10.

The dollar's trade-weighted index, on Bank of England figures, rose to 121.6 from 120.5.

Sterling's index was slightly firmer at 91.3, compared with 91.2. The pound touched its lowest level since July 1977 against the dollar, ending the week at $1.7250 against $1.7395. Sterling showed a firmer trend against most other major currencies, however, rising to DM 4.2850 from DM 4.28; but falling to SwFr 3.6550 from SwFr 3.6875; and improving to Y444.25 from Y444.

Within the EMS the French franc was quite firm, taking the upward pressure off Paris interest rates, while the D-mark remained the weakest member of the system.

Gold fell to its lowest level for nearly three years on Monday, finishing at $296, as a reflection of the very strong level of the dollar. It ended the week at $305, fall of just $2½.

THE DOLLAR SPOT AND FORWARD

June 25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.7160-1.7310	1.7245-1.7255	0.40-0.50c dis	−3.13	1.52-1.62dis	−3.64
Ireland†	1.3795-1.3850	1.3835-1.3850	0.50-0.40c pm	3.90	1.15-1.05 pm	3.18
Canada	1.2845-1.2890	1.2860-1.2880	0.15-0.18c dis	−1.54	0.38-0.42dis	−1.24
Nethlnd.	2.7395-2.7640	2.7395-2.7425	1.68-1.58c pm	7.11	5.13-5.03 pm	7.41
Belgium	47.42-47.51	47.44-47.48	1-3c dis	−0.53	5-13 dis	−0.76
Denmark	8.3880-8.4200	8.3980-8.4000	1.50-1.25ore pm	1.92	2.60-2.10 pm	1.09
W. Ger.	2.4780-2.4860	2.4825-2.4835	1.43-1.38pf pm	6.78	4.58-4.53 pm	7.34
Portugal	83.75-84.60	84.25-84.50	30-130c dis	−11.38	70-270 dis	−8.05
Spain	112.35-112.65	112.35-112.45	75-85c dis	−8.53	190-220 dis	−7.28
Italy	1,395⅛-1,403	1,398-1,399	6½-8 lire dis	−6.21	17-18½ dis	−5.08
Norway	6.2970-6.3125	6.2980-6.3030	[illegible]	0.05	[illegible]	0.47
France	6.8700-6.9200	6.8825-6.8875	0.10-0.20c dis	−0.26	1.10-1.40dis	−0.72
Sweden	6.1400-6.1900	6.1750-6.1800	par-0.20ore dis	−0.19	1.60-1.40 pm	0.01
Japan	256.25-258.00	257.30-257.40	1.82-1.74y pm	8.30	5.25-5.15 pm	8.07
Austria	17.52½-17.56½	17.53½-17.54½	12-10¾gro pm	7.79	36-33½ pm	7.99
Switz.	2.1150-2.1200	2.1165-2.1175	1.80-1.75c pm	9.95	5.50-5.42 pm	10.32

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

THE POUND SPOT AND FORWARD

June 25	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.7160-1.7310	1.7245-1.7255	0.40-0.50c dis	−3.13	1.52-1.62dis	−3.64
Canada	2.2070-2.2200	2.2175-2.2185	0.75-0.85c dis	−4.33	2.50-2.70dis	−4.69
Nethlnd.	4.71½-4.75	4.72-4.73	1⅝-1⅛c pm	4.23	4⅛-4⅝ pm	3.81
Belgium	81.55-81.95	81.80-81.90	15-25c dis	−2.93	72-82 dis	−3.76
Denmark	14.76-14.84	14.77-14.78	1-1¾ore dis	−1.01	6½-10 dis	−2.23
Ireland	1.2450-1.2485	1.2420-1.2430	0.67-0.79p dis	−7.05	2.07-2.20dis	−6.87
W. Ger.	4.27¼-4.33	4.28-4.29	1⅜-1⅛pf pm	3.85	4⅛-3⅝ pm	3.72
Portugal	144.50-145.75	145.25-145.75	80-205c dis	−11.22	230-570dis	−11.01
Spain	193.25-194.25	194.00-194.20	165-200c dis	−11.28	510-570dis	−11.13
Italy	2,405-2,418	2,412-2,413	14-17 lire dis	−7.71	50-54 dis	−8.65
Norway	10.84-10.88	10.86-10.87	2½-3½ore dis	−2.55	9-10½ dis	−3.57
France	11.82-11.91	11.86-11.88	2½-4½c dis	−2.54	12⅝-14⅝dis	−4.46
Sweden	10.55-10.68	10.65-10.66	2⅜-3⅝ore dis	−3.24	6⅝-7⅝ dis	−2.72
Japan	440-446	443¾-444¾	2.15-1.85y pm	5.40	6.15-5.85 pm	5.40
Austria	30.12-30.32	30.22-30.27	13-10gro pm	4.56	36-25 pm	4.30
Switz.	3.64-3.68	3.65-3.66	2⅜-1⅞c pm	6.98	6⅛-5⅞ pm	6.70

Belgian rate is for convertible francs. Financial franc 88.95-89.05. Six-month forward dollar 3.10-3.20c dis, 12-month 5.10-5.30c dis.

FORWARD RATES AGAINST STERLING

	Spot	1 month	3 month	6 month	12 month
Dollar	1.7250	1.7295	1.7407	1.7566	1.7770
D-Mark	4.2850	4.2712	4.2450	4.2061	4.1382
French Franc	11.8700	11.9050	12.0025	12.1917	12.4713
Swiss Franc	3.6550	3.6338	3.5938	3.5467	3.4481
Japanese Yen	444.25	442.2	438.2	432.4	420.6

GOLD MARKETS

	June 25		June 24	
Gold Bullion (fine ounce)				
Close	$304½-305½	(£176½-177)	$307-308	(£176½-177)
Opening	$302½-303½	(£176-176½)	$310½-311½	(£179-179½)
Morning fixing	$304	(£176.539)	$309.75	(£178.458)
Afternoon fixing	$305.50	(£176.948)	$310.25	(£178.325)

Gold Coins June 25					
Krugrnd	$315¾-316½	(£183½-184)	King Sov	$81½-83	(£47-47½)
1/2 Krug	$162¼-163¼	(£94¼-94¾)	Victoria Sov	$81½-83	(£47-47½)
1/4 Krug	$82¾-83¾	(£48-48¾)	French 20s	$97¾-70¼	(£39¼-40¾)
1/10 Krug	$33¾-34¾	(£19½-20¼)	50 pesos Mex.	$375½-379	(£219¼-219¾)
Mapleleaf	$315¾-316¾	(£183½-184)	100 Cor. Aust	$299-301½	(£173¾-175¼)
New Sov	$75¼-75¾	(£43½-43¾)	$20 Eagles	$363-368	(£211-213¾)

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU June 25	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9704	45.0123	+0.09	−0.10	±1.5430
Danish Krone	8.23400	8.15925	−0.91	−1.10	±1.5601
German D-Mark	2.33379	2.36450	+1.32	+1.13	±1.0888
French Franc	6.61387	6.55540	−0.88	−1.07	±1.3940
Dutch Guilder	2.57971	2.60887	+1.13	+0.94	±1.5004
Irish Punt	0.691011	0.687103	−0.57	−0.76	±1.6691
Italian Lira	1350.27	1329.59	−1.53	−1.53	±4.1369

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

OTHER CURRENCIES

June 25	£	$		£ Note Rates
Argentine Peso	26,549-26,589	15,400-15,450	Austria	30.00-30.30
Australia Dollar	1.6915-1.6935	0.9800-0.9805	Belgium	8889-
Brazil Cruzeiro	291.47-292.47	169.08-169.93	Denmark	14.73-14.87
Finland Markka	9.253-8.264	4.7750-4.7800	France	11.82-11.92
Greek Drachma	120.819-121.462	69.75-70.25	Germany	4.25½-4.30½
Hong Kong Dollar	10.17¾-10.19¼	5.9040-5.9140	Italy	2376-2420
Iran Rial	146.00*	84.70*	Japan	442-447
Kuwait Dinar (KD)	0.4969-0.4976	0.28845-0.28865	Netherlands	4.71-4.75
Luxembourg Fr.	81.80-81.90	47.44-47.46	Norway	10.79-10.89
Malaysia Dollar	4.07-4.08	2.3615-2.3665	Portugal	140-157
New Zealand Dlr.	2.3315-2.3355	1.3505-1.3520	Spain	185¾-194¾
Saudi Arab. Riyal	5.9080-5.9150	3.4290-3.4310	Sweden	10.52-10.62
Singapore Dollar	3.72½-3.73½	2.1610-2.1660	Switzerland	3.64-3.68
Sth. African Rand	1.9735-1.9745	1.1435-1.1445	United States	1.71-1.73
U.A.E. Dirham	6.3250-6.3340	3.6715-3.6735	Yugoslavia	89-105

* Selling rate.

CURRENCY MOVEMENTS

June 25	Bank of England Index	Morgan Guaranty Changes%
Sterling	91.3	−32.0
U.S. dollar	121.6	+13.1
Canadian dollar	85.6	−21.3
Austrian schilling	116.8	+25.7
Belgian franc	94.9	−1.9
Danish kroner	82.1	−14.9
Deutsche mark	124.6	+49.5
Swiss franc	144.5	+95.1
Guilder	115.6	+22.8
French franc	74.0	−18.9
Lira	53.3	−58.6
Yen	131.7	+25.5

Based on trade weighted changes from Washington agreement December, 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

June 25	Bank rate %	Special Drawing Rights	European Currency Units
Sterling	—	0.631002	0.550639
U.S. $	13	1.08627	0.949036
Canadian $	16.88	*	1.21987
Austria Sch.	6¾	19.0630	16.6602
Belgian F.	14	51.5218	45.0123
Danish Kr.	11	9.34409	8.15939
D mark	7½	2.70587	2.36450
Guilder	8	2.98483	2.60887
French Fr.	9½	7.49689	6.55540
Lira	19	1522.41	1329.59
Yen	5½	279.065	244.090
Norwgn. Kr.	9	6.84676	5.98171
Spanish Pta.	8	122.360	106.860
Swedish Kr.	10	N/A	5.86024
Swiss Fr.	5½	2.30615	2.01383
Greek Dr'ch.	20½	N/A	66.5552

*CS/SDR rate for June 24: 1.40444.

EXCHANGE CROSS RATES

June 25	Pound St'rling	U.S. Dollar	Deutschem'k	Japanese Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1	1.725	4.285	444.3	11.67	3.655	4.725	241.	2.218	61.85
U.S. Dollar	0.580	1.	2.484	257.6	6.881	2.119	2.739	1406.	1.286	47.45
Deutschemark	0.233	0.403	1.	103.7	2.770	0.853	1.103	564.2	0.519	19.10
Japanese Yen 1,000	2.251	3.883	9.642	1000.	26.72	8.227	10.64	5442.	4.993	184.2
French Franc 10	0.842	1.453	3.610	374.3	10.	3.079	3.981	2037.	1.869	68.96
Swiss Franc	0.274	0.472	1.173	121.6	3.248	1.	1.293	661.4	0.607	22.39
Dutch Guilder	0.912	0.365	0.907	94.02	2.512	0.774	1.	511.6	0.469	17.32
Italian Lira 1,000	0.414	0.714	1.772	183.8	4.910	1.612	1.954	1000.	0.917	33.86
Canadian Dollar	0.451	0.779	1.932	200.3	6.352	1.648	2.130	1090.	1.	39.90
Belgian Franc 100	1.222	2.109	6.235	543.8	14.50	4.465	6.773	2984.	2.710	100.

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED TRUSTS

[illegible]

NOTES

[illegible]

INSURANCE & OVERSEAS MANAGED FUNDS

INSURANCES

Abbey Life Assurance Co. Ltd.
1-3 St. Paul's Churchyard, EC4P 4DX. 01-248 9111

Property Fund	227.6	227.6	—	—
Equity Fund	48.6	51.2	-0.2	—
Property Acc.	266.6	280.[illegible]	—	—
Equity Acc.	48.2	[illegible]	—	—
Selective Fund	106.3	[illegible]	-0.2	—
Money Fund	167.0	[illegible]	-0.5	—
Convertible Fund	179.1	[illegible]	—	—
Prop. Fd. Ser. 4	210.1	[illegible]	—	—
Equity Ser. 4	54.9	[illegible]	—	—
Man. Ser. 4	196.9	[illegible]	-0.2	—
Money Ser. 4	151.5	[illegible]	-0.5	—
Conv. Ser. 4	151.6	[illegible]	—	—
Fixed Int. Fd. Ser. 4	116.5	[illegible]	—	—
American Ser. 4	110.6	[illegible]	+0.9	—
High Inc. Ser. 4	115.4	[illegible]	-0.7	—
Indexed Inv. Series 4	96.9	[illegible]	—	—
Pension Property	317.9	[illegible]	—	—
Pension Equity	280.5	[illegible]	-0.7	—
Pension Selective	147.8	[illegible]	-0.3	—
Pension Managed	242.9	[illegible]	-0.1	—
Pension Security	222.7	[illegible]	—	—
Pension Fixed Inc.	114.1	[illegible]	+0.4	—
Pension Indexed Inv.	96.9	[illegible]	—	—

Albany Life Assurance Co. Ltd.
31, Old Burlington St., W.1. 01-437 5962

Equity Fd. Acc.	317.2	333.9	+0.1	—
Fixed Int. Acc.	195.2	225.4	+0.5	—
Gtd. Money Fd. Ac.	156.5	164.7	—	—
Intl. Man. Fd. Acc.	141.2	148.5	+1.0	—
Intl. Fxd. Int. Fd.	106.7	112.2	—	—
Prop. Fd. Acc.	159.4	167.7	—	—
M'ple Inv. Acc.	247.7	260.7	+0.4	—
Equity Pen.Fd.Acc.	434.8	457.6	+0.4	—
Fixed I. Pen. Acc.	313.2	329.6	+1.4	—
G'td.Mon.Pen.Acc.	216.9	228.3	—	—
Intl.Mn.PnFdAcc.	162.4	171.2	+1.3	—
Prop.Pen.Acc.	210.4	221.3	—	—
M'ple Inv.Pen.Acc.	358.3	377.1	+1.1	—

AMEV Life Assurance Ltd.
2-6, Prince of Wales Rd., B'mouth. 0202 767122

Managed Fd.	193.5	203.9	—	—
Money Fd.	143.9	151.5	—	—
Equity Fd.	148.5	156.5	—	—
Fixed Int. Fd.	94.4	99.5	—	—
Property Fd.	155.3	163.5	—	—
Managed Pen. Fd.	173.0	182.3	—	—
Equity Pension Fd.	99.3	104.6	—	—
Fixed Int. Pens. Fd.	123.0	129.6	—	—

Crown Life—Continued

St. George Manag'd. Fd.	136.1	[illegible]	—	—
Lines & Gen. Fd.	119.6	[illegible]	—	—
Lines Fd.	95.1	[illegible]	—	—
Heritage Fd.	99.3	[illegible]	—	—
DEC Managed	104.1	[illegible]	—	—
Crown. Gth. Inc. A.	217.2	[illegible]	—	—
Pens. Mixed. Fd.	105.0	[illegible]	—	—
Pens. Manag'd. Acc.	108.8	[illegible]	—	—
Pens. Manag'd. Init.	105.3	[illegible]	—	—
Pens. Equity Acc.	100.5	[illegible]	—	—
Pens. Equity Init.	96.8	[illegible]	—	—
Pens. Fxd. Int. Acc.	106.4	[illegible]	—	—
Pens. Fxd. Int. Init.	102.7	[illegible]	—	—
Pens. Money Acc.	108.8	[illegible]	—	—
Pens. Money Init.	104.8	[illegible]	—	—

Crusader Insurance PLC
Tower Hse, 38 Trinity Sq, EC3N 4DJ. 488 2323

Growth Pens June 8	100.7	110.7	—	—
Managed Pens. June 9	117.24	123.40	—	—

Eagle Star Insur./Midland Assur.
1, Threadneedle St., EC2. 01-588 1212

Eagle/Mid. Units	75.4	79.2	-0.5	6.28

Equity & Law Life Ass. Soc. Ltd.
Amersham Road, High Wycombe. 0494 33377

UK Equities Fund	185.6	194.2	-1.0	—
Higher Inc. Fund	118.5	124.7	-0.5	—
Property Fund	192.8	203.0	—	—
Fixed Interest Fund	139.5	146.8	-0.5	—
Index Linked Sec. Fd.	93.2	98.2	-0.2	—
Gtd. Deposit Fund	135.6	142.7	—	—
Nth. America Fund	105.7	111.2	+1.7	—
Far East Fund	84.3	88.7	+0.2	—
International Fund	97.9	103.0	+0.6	—
Mixed Fund	165.0	173.8	-0.3	—

Equity & Law (Managed Funds) Ltd.
Amersham Road, High Wycombe. 0494 33377

Ind. Pen. Equity	194.2	204.4	—	—
Ind. Pen. Property	144.1	151.6	—	—
Ind. Pen. Fixed Int.	138.4	145.6	—	—
Ind. Pen. Index Lk. Sec.	102.9	108.3	—	—
Ind. Pen. Overseas	145.0	152.6	—	—
Ind. Pen. Cash	135.5	142.6	—	—
Ind. Pen. Balanced	152.9	161.0	—	—
Ind. Pen. Dep. Admin.	135.5	142.6	—	—

Prices at June 10. Next settlement July 15.
Group Pension Funds—Prices Available On Request.

Family Assurance Society

OFFSHORE AND OVERSEAS

NOTES

FT SHARE INFORMATION SERVICE

LOANS—Continued

Financial

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
20J	20D	FFI 14pc '83	99¾	[illegible]	14.09	14.18
[illegible]	30S	FFI [illegible]	[illegible]	[illegible]	[illegible]	[illegible]
31M	30N	Do. 6¾pc Db. '81-84	86	30.11	7.94	13.70
11Ja	11J	Do. 10¼pc Uns.Ln. '86	90xd	[illegible]	11.67	14.15
11Ja	11J	Do. 11pc Uns.Ln. '88	87xd	[illegible]	12.64	13.80
[illegible]	11J	Do. 11¾pc Uns.Ln. '90	87xd	[illegible]	13.51	14.65
14Mr.	14S	Do. 12¾pc Un. Ln. 1992	[illegible]	15.2	[illegible]	[illegible]
30J	31D	Do. 7¼pc A Deb. '89-92	62xd	31.12	11.74	14.43
31M	30S	Do. 7¼pc A Deb. '91-94	61½	15.2	11.79	14.29
31M	30S	Do. 9pc 'A' '91-94	72	15.2	12.96	14.36
31A	28F	Do. 8¾pc Ln. '92-97	69½	—	13.40	14.47

Building Societies

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
3F. 8 Aug.	Nat'wide 14¾pc 11.8.82	100	3.2	14.75	14.49
17F. 25 Aug.	Do. 14¾pc 25.8.82	99⅞	17.2	14.77	15.14
21 Mar. 29S	Do. 15¾pc 29.9.82	100⅞	12.3	15.52	13.30
19 Apr. 27 O	Do. 16¼pc 27.10.82	100¾xd	11.6	16.13	13.40
16 May 24 N.	Do. 15¾pc 24.11.82	100⅝xd	—	15.30	13.68
7 June 13 D	Do. 15¼pc 13.12.82	100⅝xd	—	15.12	13.07
—	Do. 16¼pc 17.1.83	101½xd	—	16.01	13.31
—	Do. 15⅝pc 7.2.83	100⅞	—	15.49	14.34
—	Do. 14¼pc 14.3.83	100¼	—	14.21	14.06
—	Do. 14¼pc 4.4.83	100¼	—	14.21	14.07

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS AND HIRE PURCHASE

Dividends Paid		Stock	Price	Last xd	Div. Net	C'vr	Gr's	P/E
Jan.	July	ANZ $A1	220	15.6	Q28c	3.3	7.8	3.9
Feb.	Aug.	Alexanders D. £1	220	15.2	18.5	—	12.0	—
May	Aug.	Algemene FL100	£59½	30.4	Q26%	1.8	9.0	6.1
Dec.	June	Allied Irish	80	7.6	Q45.3%	♦	11.6	♦
	July	Ansbacher (H.) 5p.	18½	1.6	0.35	—	5.0	—
July	Jan	Bk. Ireland £1	225	17.5	[illegible]	—	10.2	—
May	Nov.	Bk. Leumi $0.1	5	17.5	[illegible]	—	0.7	—
Aug.	Feb.	Bk. Leumi (UK) £1.	190	17.5	10.15	—	7.6	—
Jan.	July	Bk. N.S.W. $A1	152xd	21.6	Q24c	2.9	9.5	3.6
Nov.	May	Bank Scotland £1	355	30.4	21.0	4.5	8.4	2.9
Apr.	Oct.	Barclays £1	376xc	15.3	t22.0	5.1	8.4	3.0
Jan.	July	Brown Shipley £1	225xd	21.4	7.0	—	4.4	—
Jan.	July	Cater Allen £1	298	7.6	23.6	—	11.7	—

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
22Mar	22S	Exch. 9¾pc 1982	99½	15.2	9.34	12.86
5Jul	5Ja	Exch. 8¼pc 1983	98⅝xd	1.6	8.91	12.27
21Aug	21F	Exch. 3pc 1983	94½	15.1	3.17	11.95
17S	17Mar	Treasury 12pc 1983‡‡	99⅛	8.2	12.11	13.16
18Ja	18Jul	Treasury 9½pc '83	97⅛xd	11.6	9.52	12.27
22May	22N	Exch. 13¼pc '83	103¼	[illegible]	13.40	12.88
12Jun	12D	Exch. 10pc 1983	97⅛	[illegible]	10.30	12.18
15Jul	15Ja	Funding 5½pc '82-84‡‡	94½xd	[illegible]	5.82	9.39
20Aug	20F	Exch. 11¼pc 1984	97⅛	[illegible]	11.58	13.20
22N	22May	Exchequer 14pc 1984	100⅞	[illegible]	13.88	13.42
19D	19Jun	Exch. 3pc 1984	88¾	[illegible]	3.38	9.36
26Mar	26S	Treasury 12pc 1984	97⅛	17.2	12.36	13.45
22Aug	22F	Treasury 15pc 1985	103	18.1	14.56	13.57
22S	22Mar	Exch. 12pc Cnv. '85	96½	15.2	12.44	13.52
21N	21My	Treasury 3pc 1985	82⅞	14.4	3.62	9.94
15Jan	15Jul	Treasury 11½pc 1985	95⅝xd	8.6	12.01	13.25
22May	22N	Exch. 12¼pc 1985	96⅞	15.4	12.65	13.58
25 Aug.	25F	Exch. 11¼pc '86	94¾	19.1	12.40	13.58
15N	15May	Treasury 3pc 1986	79	13.4	3.80	9.59
12D	12Jun	Treasury 12pc '86	95½	6.5	12.57	13.58
10Ja	10Jul	Treasury 8¼pc '84-86‡‡	89½xd	3.6	9.50	11.86
14Ja	14Jn	Treas. 12¼pc '86 (£30pd)	23⅞	—	12.68	13.37
29Apr	29Oct	Exch. 14pc 1986	100⅞	—	13.88	13.69
22Jul	22Jan	Exch. 13¼pc 1987	98⅞xd	15.6	13.49	13.59
1N	1May	Funding 6½pc '85-87‡‡	81½	[illegible]	7.97	11.59

Five to Fifteen Years

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
14Ja	14Jul	Treasury 3pc 1987	73¾	—	4.05	9.63
3 May	3N	Treas. 12pc 1987	94⅞	29.3	12.90	13.84
25Jul	25Ja	Treasury 7¾pc '85-88‡‡	81xd	21.12	9.50	12.42
1Ja	1Jul	Transport 3pc '78-88	67⅝xd	25.5	4.42	10.30
22Aug	22F	Treasury 11½pc 1989	92⅞	18.1	13.01	14.23
15Ap	15Oct	Treasury 5pc '86-89	67⅞	9.3	7.48	11.91
15Jul	15Ja	Treasury 13pc 1990‡‡	93⅞xd	8.6	13.76	14.16
22Sept	22Mar	Exch. 12½pc 1990	94¾	15.2	13.68	14.38
15D	15Jun	Treasury 8¼pc '87-90‡‡	78⅛xd	10.5	10.57	12.70
10Jul	10Ja	Treasury 11¾pc 1991	87¼xd	3.6	13.41	14.30
5Oct	5Ap	Funding 5¾pc '87-91‡‡	66½	1.3	8.82	12.35
25Ap	25Oct	Exch. 11pc 1991	85¼	19.3	13.20	14.27
22Jul	22Ja	Treasury 12¾pc '92‡‡	91⅝xd	15.6	13.79	14.22
21Aug	21Fb	Treasury 10pc 1992	82½	15.1	12.65	14.02
25Fb	25Ag	Exch. 12¼pc '92	93⅛	19.1	13.76	14.33
22Mar	22S	Exchequer 13½pc '92	99⅛	15.2	14.14	14.32
14Ja	14Jul	Treasury 12½pc '93‡‡	90⅝xd	7.6	13.79	14.20
15Mar	15S	Funding 6pc 1993‡‡	62¾	8.2	9.83	12.56
25May	25N	Treasury 13¾pc 1993‡‡	98⅝	16.4	14.14	14.22

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked & Variable Rate

[illegible]

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
15J	Do. 7¾pc '83-86	83½xd	17.5	0.97	12.87
10	S. Rhod. 2½pc Non-Ass.	158	—	—	—
	Do. 6pc 80-85 Assd	64	10.2	5.55	18.25
	Do. 4½pc 87-92 Assd.	39xd	15.2	11.54	18.08
15A	Zimbabwe Ann (£100pa)	356	15.3	29.56	21.20

LOANS

Public Board and Ind.

Interest Due	Stock	Price £	Last xd	Yield Int.	Yield Red.
1J	Agric. Mt. 5pc '59-89	63	1.12	7.92	13.21
15	Met. Wtr. 3pc 'B'	29½	1.2	10.50	13.03
310	U.S.M.C. 9pc 1982	110xd	—	8.13	—
310	Do. without Warrts.	99½xd	—	9.05	—

BANKS & H.P.—Cont.

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

CHEMICALS, PLASTICS—Cont.

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

LEISURE

[illegible]

LEISURE—Continued

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

MINES—Continued

Central African

[illegible]

Australian

[illegible]

Tins

[illegible]

Copper

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible]

REGIONAL AND IRISH STOCKS

The following is a selection of regional and Irish stocks, the latter being quoted in Irish currency.

[illegible]

OPTIONS

3-month Call Rates

[illegible]

"Recent Issues" and "Rights" Page 26

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

FINANCIAL TIMES
Monday June 28 1982

Call to Europe on U.S. links

BY JOHN WYLES IN BRUSSELS

EEC heads of government will be urged to call for a new transatlantic dialogue at the Community summit opening in Brussels today. The plea will be made because of growing fears for the future of Europe's political and commercial relations with the U.S.

Ideas for a new "forum," possibly based on regular top-level political contacts between the Community and Washington, will be pressed hard by the Belgian Government. As president of the EEC's Council of Ministers, Belgium will play host to the summit meeting.

The resignation of Mr Alexander Haig makes it even more imperative, the Belgians contend, to take steps to prevent a major political crisis from developing out of the present economic disagreements between the EEC and the U.S.

Mr Haig was viewed in Community capitals as a staunch advocate of European interests in Washington. There are now widespread fears that his successor, Mr George Shultz, will line up with those advisers of President Reagan who have been successfully advocating a tough line with Europe. They wish to prevent the supply of U.S.-licensed parts for the Soviet gas pipeline to Western Europe and to damp down EEC steel exports to the U.S. Washington's moves on both issues have this month threatened to aggravate earlier disputes on agriculture, export credits and textiles.

Mr Wilfried Martens, Belgium's Prime Minister, and Mr Leo Tindemans, the Foreign Minister, look likely to receive a polite but sceptical reception when they outline their ideas to the summit. Few governments believe that current problems stem from lack of contacts with the U.S. Instead, they will want to concentrate on pressing for successful negotiated settlements with Washington.

Publicly, they are unlikely to risk doing any further damage to the political climate by denouncing U.S. policies. They are expected, instead, to endorse firmly the statement issued by EEC foreign ministers last week which amounted to a crisp declaration that the imposition by the U.S. on June 11 of countervailing duties on steel imports from Europe was politically wrong headed.

The EEC statement also accused the U.S. of breaching the principles of international law in trying to prevent the manufacture in Europe of parts for the Soviet gas pipeline.

The second major issue to be dealt with is the crisis in the Lebanon and its impact on the search for a Middle East peace settlement. Again, whatever the summit has to say will be principally addressed to the U.S. in an effort to secure an Israeli pull-back from Beirut and, in the longer term, a more "realistic" approach to negotiating Palestinian autonomy.

Although France, the UK and Greece, have been in favour of mounting some form of sanctions against Israel, opposition from West Germany and Holland has ruled this out. But the summit will emphasise that there is no softening of the EEC's view that the Palestine Liberation Organisation cannot be eliminated politically or militarily, and that Israel must recognise the Palestinians' right to self-determination in return for Arab recognition of Israel.

There may well be some discussion on whether Europe should be ready to take part in a multinational peace-keeping force in the Lebanon aimed at underpinning a negotiated withdrawal of Israeli forces and the establishment of a genuinely independent Lebanon.

Heads of goverment will return to Community preoccupations over dinner this evening when they will discuss the future development of the EEC in the light of Spanish and Portuguese membership. This will be the first opportunity for President Mitterrand to explain his remarks in Madrid last week which have been widely seen as calling for a delay in negotiating accession with Madrid and Lisbon.

Lucas opens car pay talks with 5%

By Our Industrial Staff

LUCAS INDUSTRIES has opened the motor industry pay negotiations with an offer of about 5 per cent for manual workers.

The car parts supplier, with a wage review date of July for most workers, has given a strong lead to the industry in the past two years. Take-it-or-leave-it offers of 10 and 5 per cent were pushed through in spite of protests.

This time, Lucas has said it is prepared to negotiate. But union leaders say the gesture merely acknowledges growing worker unrest, and is unlikely to involve much flexibility.

Lucas, like other Midlands-based parts suppliers, has stressed reducing unit labour costs in response to the decline of the UK motor assembly industry and the pressure of international competition.

The West Midlands is traditionally the pace-setter for wage demands. But Mr Chris Walliker, chairman of the regional council of the Confederation of British Industry, said last night that settlements were currently running at 5 to 6 per cent below the national average.

Many companies had either refused or postponed wage increases. Midlands businessmen expected a rising trend of unemployment and no improvement in demand, despite optimistic national forecasts.

Mr Walliker said that against such a background the level of pay settlements was likely to go down.

Mr Walliker, however, issued a warning that the forthcoming pay round would be "crucial" and that pressures from the shop floor were mounting.

Employers were "uneasy," he said. Companies for two successive years had encouraged the unions to exercise restraint. But there was still no sign of the promised improved demand necessary to justify such sacrifices.

Union leaders in the West Midlands report frustration at many companies, including Lucas, at the erosion of living standards.

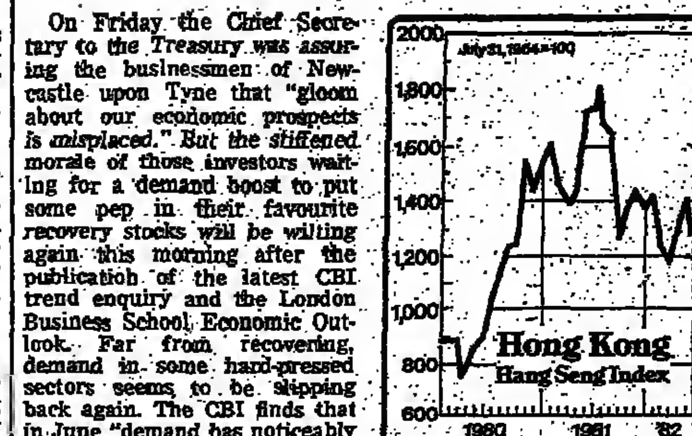
Workers at Lucas's 10 West Midlands factories will be voting over the next few days on the management offer of an increase in basic rates ranging from around £3.40 to £5.90 a week according to skill.

A key factor in the voting will be additional payments of £1.80 to £2.00 a week, promised to the many shift workers who did not benefit from the introduction last November of the 39-hour week.

THE LEX COLUMN

No time-table for recovery

On Friday the Chief Secretary to the Treasury was assuring the businessmen of Newcastle upon Tyne that "gloom about our economic prospects is misplaced." But the stiffened morale of those investors waiting for a demand boost to put some pep in their favourite recovery stocks will be wilting again this morning after the publication of the latest CBI trend enquiry and the London Business School Economic Outlook. Far from recovering, demand in some hard-pressed sectors seems to be slipping back again. The CBI finds that in June demand has noticeably weakened for firms in the metal manufacture broad industry's group," and output expectations in this sector have tailed off sharply.



With destocking coming to an end, and signs of cautious restocking in some parts of the economy, the failure of domestic demand to respond represents something of a puzzle. An explanation is provided by the LBS, which points out that, under the cover of the statistics blackout during last year's civil servants dispute, there was a sharp increase in import penetration. So imports, particularly manufacturers, have satisfied a high proportion of the increase in demand. In spite of the recent strength of the U.S. dollar, sterling's recovery since 1977 still leaves UK industry relatively uncompetitive. Recession elsewhere in the world, in general emerging later than in the UK, has put pressure on exports and intensified competition in the home market.

A reappraisal of growth prospects already seems to have taken place—yet again—in the stock market over the last fortnight or so. Mainstream recovery stocks in the engineering and allied sectors, which were attracting attention early in the year, are now back at or near their lows for 1982. GKN, at 145p, is 22 per cent off this year's peak; Lucas is 27 per cent down. The metals and metal forming index has once again taken up its accustomed place as one of the main laggards, with a decline of nearly 11 per cent since the beginning of the year.

While the CBI enquiry re-emphasises the confident mood of the chemical industry, any recovery in the economy seems so far seems to have centred on the building sector. Blue Circle's report in April of better demand has since been backed up by other building material producers, most recently Redland. Nevertheless, the LBS forecast for GDP seems, if anything, to be edging lower, with a 1 per cent gain in output expected in 1982.

This forecast is admitted to be particularly sensitive to the behaviour of interest rates. The LBS still expects UK bank base rates to have fallen to 11½ per cent by the end of the year. However, behind this assumption lies an optimistic view of the future course of US interest rates which looks rather fragile after the events of the last week or so.

In spite of the disappointing demand picture, the LBS remains confident about a rapid increase in profits, pointing to a "dramatic" increase in productivity as the main factor. The cut in the National Insurance Surcharge is also cited, while a lower sterling exchange rate in recent months has allowed some improvement in margins. However, the LBS may prove somewhat over-optimistic on this front. While good profits growth is still expected, stockbrokers' forecasts are currently being edged lower. In its latest market review, for example, Phillips & Drew says that its earlier projection of a 15 to 20 per cent rise in industrial profits in 1982 is now looking a little on the high side.

Hong Kong

At current levels the Hong Kong stock market offers a prospective yield of perhaps 7 per cent and a p/e of 9—which to judge by past history looks an uncommon bargain. But the possible repercussions of hardening U.S. interest rates are at least as serious for Hong Kong as any market round the world. Hong Kong's current sensitivity to U.S. rates is underlined by the 60 point jump in the Hang Seng index at the end of May when Citibank cut its prime by a percentage point. This move was followed by a 1 point cut from the Hong Kong banking cartel to 15 per cent—a level which so far has been maintained even though Citibank has been forced back up to 16 per cent. But the Hang Seng has slid by nearly a tenth to 1280.

This is midway in its trading range since the sharp drop last autumn, and makes allowance for only a modest increase in overall profits this year and even a slight decline in 1983 as the property slowdown makes itself felt. Meanwhile, with earnings at an unaccustomed premium, recent months have seen outperformance from the trading houses, utilities and financials. The worry is that if the interest screw tightens, some of the secondary property companies could go under this autumn, dealing a blow to market sentiment and leaving some unpalatable bad debts in the banking sector.

Discounted bonds

Last week's "clarification" from the Inland Revenue on the likely tax position of deep discounted stock manages to introduce a fresh element of uncertainty. Capital appreciation in low and zero coupon stock is to be taxed as interest: clear enough, though hardly an enticing prospect for many lenders. More ominously, the Revenue states that the Government is examining the prospect of taxing this "interest" on what it calls an accruals basis. This apparently means that tax will be charged—and allowed for—annually on both sides of the transaction even though no money changes hands. The prospect of such a major innovation entering the investment scene may do more than anything else to dampen enthusiasm for experimentation in new forms of bonds.

Meanwhile, even though the practical difference between a low coupon bond and an indexed one lies mainly in the fact that in the case of the former the size of the capital uplift is set in advance, the tax regime announced on Friday draws a fundamental distinction; the uplift on an indexed bond is indeed to be treated as capital appreciation. For the corporate borrower, of course, that means no interest payments will be available to set off against taxable income.

Ulster post for Tate & Lyle chief

By Jeremy Stone

MR SAXON TATE, a vice-chairman of Tate and Lyle, has been appointed chief executive of Northern Ireland's new Industrial Development Board (IDB).

The announcement will be made today by Mr James Prior, Secretary of State for Northern Ireland. Mr Tate is expected to take up his appointment in August.

After years of argument, the Government announced in August 1981 that it was setting up the development board, to provide "one-stop" shopping for companies seeking to invest in Northern Ireland. Hitherto, they have had to deal with the Department of Commerce, responsible for attracting investment to Northern Ireland, and the Northern Ireland Development Agency, which assist the establishment and expansion of enterprises in the province. The IDB will combine these functions.

Although Sir Desmond Lorimer was designated chairman in March, and five of the 12 board members were appointed at the same time, there was some difficulty in finding a suitable chief executive after the first-choice candidate declined. Since the IDB is due to begin operating by September, the need to make an appointment had taken on a degree of urgency.

Sir Desmond said yesterday that the board was "absolutely delighted" that it had been able to attract a candidate of such calibre, and to get started on its task of bringing fresh employment to Northern Ireland.

"As the Secretary of State will be making an announcement tomorrow, it would be unwise for me to comment one way or the other," Mr Tate said yesterday.

Mr Tate has worked for his family firm of Tate & Lyle since 1952, becoming a director in 1956 when he was 25. Between 1965 and 1972 he was chief executive of Tate & Lyle's Canadian subsidiary, Redpath Industries. He then chaired the group's executive committee until moving up to the position of managing director in 1978.

In July 1980 he was replaced as managing director of Tate & Lyle by Mr Neil Shaw. It was said at the time that Mr Shaw was expected to impose a "crisper" management style on the group.

Educated at Eton and Christ Church, Oxford, Mr Tate is the heir to a baronetcy.

Shultz unlikely to change American foreign policy

BY REGINALD DALE, U.S. EDITOR IN WASHINGTON

WHITE HOUSE officials yesterday stressed that the sudden nomination of Mr George Shultz to replace Mr Alexander Haig as U.S. Secretary of State would make no change to the overall direction of American foreign policy.

Mr Shultz had talks with President Ronald Reagan at Camp David at the weekend but would say little about his approach to foreign affairs in advance of his Senate confirmation hearings, which are expected to be held in the week starting July 12.

A number of Senators have made clear already their intention to question Mr Shultz closely on his attitudes towards Israel—particularly in the light of his role as president of the California-based Bechtel Engineering and Construction Co., which has strong links with Arab countries.

It is expected in Washington, however, that his appointment will be confirmed swiftly, despite fears among conservatives that he is even more "moderate" by Reaganite standards than Mr Haig.

The Middle East remains, nevertheless, the major policy area in which the change of Secretary of State could lead to a shift in U.S. attitudes. One of the many reasons for Mr Haig's abrupt departure on Friday was his continuing insistence—against the majority of the Cabinet—that the U.S. should not publicly condemn Israel for its invasion of the Lebanon.

Washington officials—and the Jewish lobby—believe that Mr Shultz will favour a tougher U.S. line against the more provocative actions of Mr Menachem Begin, the Israeli Prime Minister, even though underlying U.S. support for Israel is unlikely to waver.

Mr William Clark, Mr Reagan's increasingly influential national security adviser, nevertheless said at the weekend that he was "unaware" of any fears in Israel that the departure of the pro-Israeli Mr Haig meant a change to a firmer American attitude.

In European affairs, officials said they expected Mr Shultz to follow closely in Mr Haig's footsteps.

After his Camp David talks, Mr Shultz said: "I'm confident on the basis of all these contacts and experiences, let alone the discussion we had today, that I can work sympatico with his Administration." He admitted that he had been "truly surprised" by Mr Haig's resignation.

While some Washington analysts believe that Mr Shultz's appointment will signal a shift to the right in foreign policy, the new Secretary of State has far from impeccable credentials in the eyes of Mr Reagan's more conservative backers. He is on record, for example, as opposing the use of trade sanctions against the Soviet Union.

David Tonge reports: British ministers, while regretting the resignation of Mr Haig were relieved yesterday over the choice of his successor. But they are also concerned over how Mr Shultz will handle the problems now blowing up between the U.S. and Europe.

Britain and its EEC partners are preparing to confront Washington over steel imports from the EEC and over President Reagan's decision to prevent U.S. technology being use in West Europe's work on the Siberia-Europe gas pipeline.

On the Middle East, there are hopes that Mr Shultz will be more sympathetic to British and European views. But Mr Haig's departure means the loss of the one man in Washington who, even if he did not give unalloyed support, could be counted on to put the Nato alliance first in his vision of the world.

Mr Haig won strong support in London for his handling of the Falklands crisis, particularly when he made sure that the Reagan Administration came down firmly on Britain's side.

Profile of George Shultz, Page 2; Editorial comment, Page 12; Feature, Page 13

Continued from Page 1

BR services

cumulative rather than immediate.

Last winter's Aslef action cost British Steel Corporation (BSC), which is heavily dependent upon rail transportation, about £11m. As well as conveying steel products, rail is used to take supplies of coking coal iron ore and other necessities to steel works.

The corporation is making efforts to ration stocks within plants to keep uninterrupted production going as long as possible.

In the important steel town of Scunthorpe, the local NUR branch has come out against the strike because of fears that the BSC might transfer traffic from rail ot road. But the Iron and Steel Trades Confederation in Scunthorpe is backing the NUR's national strike action.

The National Coal Board (NCB), which uses rail to tarnsport a large proportion of its output, lost production of about 2m tonnes during the Aslef dispute. But the Central Electricity Generating Board increased output at its oil-fired power stations, and it will be doing so again this time. The generating board holds coal stocks of about 20m tonnes.

The position is complicated by threats that the National Union of Mineworkers will support the railwaymen and prevent the movement of coal. The NCB warned yesterday that, if this happens, "the pits will close themselves within a matter of days."

Most London employees reported for work throughout the Aslef dispute. But that involved stoppages on only two working days per week—and this time London must contend with an underground strike as well.

Continued from Page 1

Beirut

government to feel free to extend its original military aim so as to encompass a drive to create a new political order in Lebanon.

Israel is also concerned about the close business links with Saudi Arabia of Mr George Sholtz, the Secretary-designate. He is expected to line up with Mr Caspar Weinberger, the Defence Secretary, who is regarded as Israel's fiercest critic within the Reagan Administration.

In Kuwait, Mr Abdul Aziz Hussein, the Minister of State for Cabinet Affairs, said that Arab Foreign Ministers, meeting in Tunis, would consider use of oil sanctions to force an Israeli withdrawal from Lebanon. The meeting ended inconclusively last night.

King Faud of Saudi Arabia said in a message to President Reagan yesterday that Israel's action "will lead to serious consequences for peace in the region and the whole world."

Weather

UK TODAY

SHOWERS and bright intervals. Cool. Cloudy in Scotland but brightening.

London, S.E. and Midlands, Cent. England
Showers, bright intervals. Max. 19C (66F).

Wales, Chan. Isles, S.W. and N.E. England
Showers, some prolonged. Max. 18C (64F).

N. Ireland, N. W. England, Isle of Man, S.W. Scotland
Rain, bright intervals. Max. 16C (61F).

S. Scotland, Cent. Highlands, N. Scotland
Cloudy, outbreaks of rain. Max. 13C (55F).

Outlook
Changeable but becoming warmer.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	F	22	72	L. Ang.†	C	17	63
Algiers	S	27	81	Luxmbg.	C	15	59
Amsdm.	F	17	63	Luxor		—	—
Athens	S	31	88	Madrid	S	23	73
Bahrain	S	38	100	Majorca	F	26	79
Barclna.	S	24	75	Malaga	S	24	75
Beirut		—	—	Malta	F	31	88
Belfast	C	16	61	M'chstr.	C	16	61
Belgrd.	S	34	93	Melbne.	F	11	52
Berlin	C	18	64	Mx. C.†		—	—
Biarritz	F	19	66	Miami†	F	26	79
Bmghm.	C	17	63	Milan	F	29	84
Blackpl.	C	14	57	Montrl.†	F	15	59
Bordx.	F	19	66	Moscow	F	19	66
Boulgn.	C	14	57	Munich	C	16	61
Bristol	F	17	63	Nairobi	C	19	66
Brussels	R	19	66	Naples	C	26	79
Budpst.	C	25	77	Nassau		—	—
Cairo		—	—	Nwcstl.	C	15	59
Cardiff	F	16	61	N. York†	F	21	70
Cas'b'ca	S	22	72	Nice	S	27	81
Cape T.	S	17	63	Nicosia		—	—
Chicg.†	C	19	66	Oporto	S	20	68
Cologne	C	18	64	Oslo	R	15	54
Cphgn.	F	19	65	Paris	C	16	61
Corfu	S	32	90	Perth		—	—
Denver†	C	11	52	Prague	R	15	59
Dublin	C	16	61	Rykjvk.	C	11	52
Dbrvnk.	S	32	90	Rhodes	S	35	95
Ednbgh.	C	15	59	Rio J'o†		—	—
Faro	S	22	72	Rome	F	27	81
Florence	F	26	69	Salzbrg.	R	14	57
Frankft.	R	19	66	S'cisco†		—	—
Funchal	F	21	70	S. Mritz.		—	—
Geneva	C	17	63	Singapr.		—	—
Gibrltr.	S	26	79	S'tiago†		—	—
Gl'sg'w	R	13	55	Stckhm.	C	18	81
G'nsey	F	15	59	Strasbg.	C	16	61
Helsinki	F	19	66	Sydney	S	17	63
H. Kong	S	29	84	Tangier	S	23	73
Innsbrk.	R	15	59	Tel Aviv	F	28	82
Invrnss.	R	12	54	Tenerife	F	20	68
I.o.Man	C	15	59	Tokyo	F	23	73
Istanbul	S	29	84	T'r'nto†	F	13	55
Jersey	F	16	61	Tunis	S	31	88
Jo'burg	F	18	64	Valencia	S	27	81
L. Plms.	F	23	73	Venice	T	26	79
Lisbon	S	23	73	Vienna	R	16	61
Locarno	S	26	79	Warsaw	C	17	63
London	C	19	66	Zurich	C	14	57

C—Cloudy. F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder.
† Noon GMT temperatures.

Militant vows to resist expulsion

BY ELINOR GOODMAN AND PHILIP BASSETT

MEMBERS of the Militant Tendency organisation yesterday signalled their determination to do everything possible to resist exclusion from the Labour Party. Meanwhile Labour moderates rallied behind Mr Michael Foot, the party leader, and—in what could be a significant development—some of Mr Tony Benn's former supporters on the Left appealed for party unity.

At a meeting of about 200 young Militant supporters in London, Mr Pat Wall, the Militant member selected on Friday as the official Labour Party candidate for Bradford North, gave the first indication of the kind of disruptice tactics, amounting to a sit-in, Militant will use to stay in the Labour Party.

Mr Wall, one of eight Militants selected as candidates who will have to be displaced if Militant is still found to be in breach of the party's constitution in three months time, said there was no way he would leave the Labour Party.

He made it clear that the leadership would have to wind up his constituency before they dropped him as a candidate.

"How are they going to keep us out?" he said. "Do they want to turn the party upside down?" He would, he said, keep on going to party meetings, and if he was excluded, he would just wait outside.

Militant would go on selling its newspaper to Labour members, and would keep up their contacts with the Labour Party, both socially and at work. There was no way Militants could be divorced from the Labour Party "either socially or politically," he said.

At their conference, Militant claimed to already have the support of "hundreds" of constituencies.

But there were signs yesterday that some Leftwing activists would prefer to avoid another bloody war in the party. The Labour Co-ordinating Committee, a group of Left-wingers once associated with Mr Benn, published an open letter yesterday calling for a "new deal."

The letter warned that expulsions could only further weaken the party's electoral performance, and attacked "witch-hunts." But it also called for an end to "hit-lists and slates"—devices more usually associated with the Left than the Right.

A call for a united campaign against the Government came yesterday from Mr Roy Hattersley, the shadow Home Secretary. The NEC's decision to set up a register of Labour groups was not a "purge or a witch-hunt." Militant, he said, spoke for "a tradition wholly alien to our principles."

Meanwhile, Labour Party union moderate Mr Sid Weighell, general secretary of the National Union of Railwaymen, yesterday launched a further stinging attack on the Left in the party. Mr Weighell said that dealing with Militant would be aLabour's last electoral chance.

Mr Weighell's attack follows a public row with his Left-led executive committee, which was critical of a previous attack by him on Left-wingers in the party.

In his political report to the NUR annual conference which opens in Plymouth today, Mr Weighell says: "A grouping like the Militant Tendency and other rag-tag and bobtail Trotskyite groups which have gained influence in recent years are only interested in the Labour Party as a means to an end."

The union is likely to debate the activities of Militant and other Left-wing groups in its own ranks this week when Mr Weighell presents delegates a dossier on Militant's activities